

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

GENERAL INFORMATION

Members of the Council:

ST Sthonga	Mayor
MC Kivedo	Speaker
HJ Rust	Member of Executive Committee
NP Mkontwana	Member of Executive Committee
RR Faul	Whip
AF Jafta	Member
WJ Du Plessis	Member
PD Van Wyk	Member
LE Andrews	Member
SJ Hoffman	Member
L Billie	Member
MO Maramba	Member
PP Mhlauli	Member
D Vanel	Member
CJ Louw	Member
PN Bushula	Member

Municipal Manager: I Visser

Chief Financial Officer: MR Ludwick

Grading of Local Authority: Grade 2

Auditors: Auditor-General

Bankers: ABSA Bank Limited

Registered Office: 45 Dr. Pixley-ka-Seme Drive
De Aar
7000

Physical address: 45 Dr. Pixley-ka-Seme Drive
De Aar
7000

Postal address: P.O. Box 42
De Aar
7000

Telephone number: (053) 632 9100

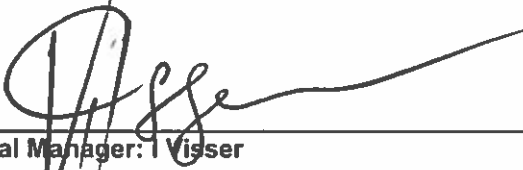
Fax number: (053) 631 0105

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 10 to 95, in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in Note 33 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's



Municipal Manager: I Visser

31 August 2019

EMTHANJENI LOCAL MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Emthanjeni Local Municipality at 30 June 2019.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2018/2019 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2019 indicates a decrease in Net Assets, a increase in Non-current Liabilities and an increase in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account. The increase in Non-current Liabilities is primarily as a result of an additional provision relating to the rehabilitation of landfill sites. The increase in Current Liabilities is primarily as a result of the increase in trade payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

2.1 Financial Statement Ratios:

Indicator	2019	2018
Surplus / (Deficit) before Appropriations	(83,197,515)	(43,321,055)
Surplus / (Deficit) at the end of the Year	(83,197,515)	(43,321,055)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	22.56%	26.99%
Remuneration of Councillors	1.68%	1.87%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	16.07%	22.02%
Impairment Losses	19.16%	8.78%
Repairs and Maintenance	3.80%	4.30%
Interest Paid	4.34%	2.88%
Bulk Purchases	19.10%	21.04%
Contracted Services	2.90%	2.56%
Grants and Subsidies Paid	0.13%	0.14%
General Expenses	9.17%	8.74%
Loss on Disposal of Property, Plant and Equipment	0.25%	0.12%
Loss on Sale of Land	0.87%	0.56%
Current Ratio:		
Trade Creditors Days	220	173
Debtors from Exchange Transactions Days	80	153

The ratio for Debtors Days, calculated on net Debtors, fluctuated from that of the previous financial year, due to debtors being written off in the 2019 year.

2.2 Performance Indicators:

Indicator	2019	2018
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	18.85%	29.42%
Outstanding Service Debtors to Revenue	21.95%	41.93%
Liquidity Management:		
Liquidity Ratio	0.60	0.89
Liability Management:		
Capital Cost as percentage of Own Revenue	1.16%	6.96%
Borrowed Funding as percentage of Own Capital Expenditure	221.02%	1.98%
Borrowing as percentage of Total Capital Assets	2.56%	0.14%
Safety of Capital:		
Gearing	60.21%	89.34%
Financial Viability:		
Debt Coverage	0.77%	4.39%
Cost Coverage		

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REPORT OF THE CHIEF FINANCIAL OFFICER

2. KEY FINANCIAL INDICATORS (continued)

Indicator	2019	2018
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	5.36	23.89
Capital Expenditure on Infrastructure to Total Capital Expenditure	79.44%	94.98%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

The services offered by Emthanjeni Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2019 are as follows:

Details	Actual 2019 R	Actual 2018 R	Percentage Variance %	Budgeted 2019 R	Variance Actual / Budgeted %
Income:					
Opening surplus / (deficit)	766,386,291	809,068,241	5.28%	1,080,670,840	29.08%
Operating income for the year	245,161,836	241,695,649	(1.43)%	277,881,974	11.77%
	<u>1,011,548,127</u>	<u>1,050,763,891</u>		<u>1,358,552,814</u>	
Expenditure:					
Operating expenditure for the year	(328,359,352)	(285,016,705)	(15.21)%	(244,435,674)	(34.33)%
Sundry transfers	-	639,105	100.00%	-	-
Closing surplus / (deficit)	(683,188,776)	(766,386,291)	10.86%	(1,114,117,140)	38.68%
	<u>(1,011,548,127)</u>	<u>(1,050,763,891)</u>		<u>(1,358,552,814)</u>	

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the Municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

Details	Actual 2019 R	Actual 2018 R	Percentage Variance %	Budgeted 2019 R	Variance Actual / Budgeted %
Income	88,660,179	83,714,180	(5.91)%	72,264,280	(22.69)%
Expenditure	(139,889,757)	(130,349,403)	(7.32)%	(116,996,825)	(19.57)%
Surplus / (Deficit)	<u>(51,229,578)</u>	<u>(46,635,223)</u>		<u>(44,732,545)</u>	
Surplus / (Deficit) as % of total income	(57.78)%	(55.71)%		(61.90)%	

Variance from 2019 budget:

The variance is ascribed to the fines revenue which was under-budgeted for.

3.2 Housing Services:

Housing Services are services rendered by the Municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

Details	Actual 2019 R	Actual 2018 R	Percentage Variance %	Budgeted 2019 R	Variance Actual / Budgeted %
Income	713,279	967,597	26.28%	45,993	(1450.84)%
Expenditure	(3,425,108)	(3,672,348)	6.73%	(2,372,715)	(44.35)%
Surplus / (Deficit)	<u>(2,711,829)</u>	<u>(2,704,752)</u>		<u>(2,326,722)</u>	
Surplus / (Deficit) as % of total income	(380.19)%	(279.53)%		(5058.86)%	

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REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (continued)

Variance from 2019 budget:

The municipality under budgeted for this grant received, as there is no formal indication for the municipality to go by to sufficiently budget for this. There is also a difference in respect to Expenditure as a result of the depreciation expense, which is not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17.

Variance from 2018 actual:

The municipality received a bigger housing accreditation grant in the current financial year than in the previous year resulting in greater income realised.

3.3 Waste Management Services:

Waste Management Services are services rendered by the Municipality for the collection, disposal and purifying of waste (refuse and

Details	Actual 2019 R	Actual 2018 R	Percentage Variance %	Budgeted 2019 R	Variance Actual / Budgeted %
Income	32,986,928	27,388,183	(20.44)%	43,056,505	23.39%
Expenditure	(42,766,145)	(24,099,747)	(77.45)%	(29,568,611)	(44.63)%
Surplus / (Deficit)	(9,779,217)	3,288,436		13,487,894	
Surplus / (Deficit) as % of total income	(29.65)%	12.01%		31.33%	

Variance from 2019 budget:

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17. The municipality budgets for its free basic services as expenditure, resulting in a further variance.

Variance from 2018 actual:

The greatest contribution to actual expenditure variance resulted due to significant debtors being written off.

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R60 071 589 (2018: 57 395 360). Tariffs levied for electricity are subject to administered adjustments.

Details	Actual 2019 R	Actual 2018 R	Percentage Variance %	Budgeted 2019 R	Variance Actual / Budgeted %
Income	82,329,564	83,531,991	1.44%	86,713,402	5.06%
Expenditure	(102,218,899)	(96,038,061)	(6.44)%	(79,689,076)	(28.27)%
Surplus / (Deficit)	(19,889,335)	(12,506,070)		7,024,326	
Surplus / (Deficit) as % of total income	(24.16)%	(14.97)%		8.10%	

Variance from 2019 budget:

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17. The municipality budgets for its free basic services as expenditure, resulting in a further variance.

3.5 Water Services:

Water is bought in bulk from various sources and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R2 634 043 (2018: R2 568 515). Tariffs levied for water are subject to administered adjustments.

Details	Actual 2019 R	Actual 2018 R	Percentage Variance %	Budgeted 2019 R	Variance Actual / Budgeted %
Income	40,471,886	46,093,699	12.20%	75,801,794	46.61%
Expenditure	(40,059,442)	(29,597,205)	(35.35)%	(15,808,446)	(153.41)%
Surplus / (Deficit)	412,443	16,496,494		59,993,348	
Surplus / (Deficit) as % of total income	1.02%	35.79%		79.15%	

Variance from 2019 budget:

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17. The municipality also does not budget for unspent grants at the end of the year. The municipality budgeted for the RBIG and WSIG grant to be fully utilised for the year, however these grants had substantial amounts unspent at yearend. The municipality budgets for its free basic services as expenditure, resulting in a further variance.

Variance from 2018 actual:

The municipality received less WSIG Grant money in the current year and better expenditure management resulted in less expenditure in the current year in comparison with that of last. Although the RBIG received was significantly more than last year, there was a large amount left unspent, resulting in expenditure also being less.

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REPORT OF THE CHIEF FINANCIAL OFFICER

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R23 221 987 (2018: R32 312 047). Full details of Assets are disclosed in Notes 7, 8, 9, 10 and Appendices B, C and E (4) to the Annual Financial Statements.

The capital expenditure of R23 221 987 was financed as follows:

Details	Actual 2019 R	Actual 2018 R	Percentage Variance %	Budgeted 2019 R	Variance Actual / Budgeted %
Grants and Subsidies	22,358,722	30,017,289	25.51%	47,447,977	52.88%
Own Funds (Accumulated Surplus)	268,911	2,250,116	88.05%	5,643,450	95.23%
Borrowings	594,355	44,643	(1231.35)%	-	100.00%
	23,221,988	32,312,047		53,091,427	

Source of funding as a percentage of Total Capital Expenditure:

Details	2019	2018
Grants and Subsidies	96.28%	92.90%
Public Contributions	1.16%	6.96%
Borrowings	2.56%	0.14%
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies, as well as external loans (finance leases) as the Municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

Details	2019	2018
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	33,446,300	5,033,000
Revenue variances	(32,720,138)	(2,187,600)
Expenditure variances:		
Employee Related Costs	8,786,439	(4,180,361)
Remuneration of Councillors	313,114	178,820
Collection Costs	-	(492,164)
Depreciation and Amortisation	(43,158,278)	(47,349,201)
Impairment Losses	(55,898,371)	(20,424,311)
Repairs and Maintenance	9,391,803	5,027,989
Finance Costs	(12,827,310)	1,794,659
Bulk Purchases	2,108,564	(1,326,223)
Contracted Services	732,384	1,247,226
Grants and Subsidies Paid	(410,450)	11,414,951
General Expenses	10,688,953	10,063,446
Loss on Disposal of Property, Plant and Equipment	(808,936)	(410,774)
Loss on Sale of Land	(2,841,589)	-
Actual surplus before appropriations	(83,197,515)	(41,610,543)

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REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL (continued)

Details	2019	2018
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	33,446,300	5,033,000
Executive and Council	(2,366,092)	4,232,480
Finance and Administration	(4,897,077)	7,885,214
Planning and Development	(12,111,951)	(12,608,620)
Health	127,299	(78,960)
Community and Social Services	(4,982,347)	(16,053,817)
Public Safety	13,415,146	13,799,886
Sports and Recreation	302,241	115,684
Road Transport	4,668,137	3,384,809
Other	(652,387)	(874,606)
Housing Services	(385,107)	(8,617,284)
Waste Management	(8,135,460)	
Waste Water Management	(15,131,651)	(18,783,258)
Electricity	(26,913,661)	(5,530,878)
Water	(59,580,905)	(13,514,193)
Actual surplus before appropriations	(83,197,515)	(41,610,543)

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

5.2 Capital Budget:

Details	Actual 2019 R	Actual 2018 R	Percentage Variance %	Budgeted 2019 R	Variance Actual / Budgeted %
Executive and Council	594,355	1,076,206	44.77%	1,631,250	63.56%
Finance and Administration	45,384	187,734	75.83%	461,400	90.16%
Planning and Development	786,815	22,131	(3455.34)%	-	-
Community and Social Services	117,979	308,998	61.82%	159,000	25.80%
Public Safety	15,652	-	#DIV/0!	30,450	48.60%
Sports and Recreation	7,252	-	100.00%	34,250	78.83%
Road Transport	9,027,249	13,657,674	33.90%	9,527,077	5.25%
Other	21,384	-	-	-	-
Housing Services	-	3,319	100.00%	-	-
Waste Management	8,157	32,683	100.00%	9,000	9.36%
Waste Water Management	2,257	9,602,512	99.98%	-	#DIV/0!
Electricity	3,830,738	6,922,768	44.66%	6,270,000	38.90%
Water	8,764,765	498,022	(1659.92)%	34,969,000	74.94%
	23,221,988	32,312,047		53,091,427	

Details of the results per segmental classification of capital expenditure are included in Appendix C and in Appendix E (4).

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2019 amounted to R683 187 913 (2018: R766 386 291) and is made up as follows:

Capital Replacement Reserve	2,252,793
Accumulated Surplus	680,935,120
	<u>683,187,913</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 22 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2019 was R1 531 183 (2018: R4 744 676).

Refer to Note 19 and Appendix "A" for more detail.

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REPORT OF THE CHIEF FINANCIAL OFFICER

8. EMPLOYEE BENEFIT LIABILITIES

Non-Current portion of Employee Benefit Liabilities amounted to R28 045 357 as at 30 June 2019 (2018: R35 882 143) and is made up as follows:

Post-retirement Health Care Benefits Liability	23,906,384
Long Service Awards Liability	4,138,973
	<u>28,045,357</u>

Current portion of Employee Benefit Liabilities amounted to R1 835 467 as at 30 June 2019 (2018: R2 038 889) and is made up as follows:

Post-retirement Health Care Benefits Liability	(1,272,034)
Long Service Awards Liability	(563,433)
	<u>(1,835,467)</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 20 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R55 674 168 as at 30 June 2019 (2018: R49 936 727) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	55,674,168
	<u>55,674,168</u>

These provisions are made in order to enable the Municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 21 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R144 330 019 as at 30 June 2019 (2018: R94 449 396) and is made up as follows:

Consumer Deposits	Note 13	2,414,796
Payables from Exchange Transactions	Note 14	88,423,951
Payables from Non-exchange Transactions	Note 15	3,334,249
Unspent Conditional Grants and Receipts	Note 16	29,782,064
VAT Payable	Note 17	-
Bank Overdraft	Note 5	18,298,647
Current Portion of Long-term Liabilities	Note 18	240,845
Current Portion of Long-term Liabilities	Note 18	1,835,467
		<u>144,330,019</u>

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R744 418 790 as at 30 June 2019 (2018: R776 194 540).

Refer to Note 7 and Appendices "B, C and E (4)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R101 890 as at 30 June 2019 (2018: R136 551).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R74 115 109 as at 30 June 2019 (2018: R76 955 109).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 9 and Appendix "B" for more detail.

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REPORT OF THE CHIEF FINANCIAL OFFICER

14. HERITAGE ASSETS

The net value of Heritage Assets were R6 959 273 as at 30 June 2019 (2018: R6 959 273).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 10 and Appendix "B" for more detail.

15. NON-CURRENT INVESTMENTS

The Municipality held investments to the value of R29 209 as at 30 June 2019 (2018: R28 054).

Refer to Note 11 for more detail.

16. LONG-TERM RECEIVABLES

Long-term Receivables of R10 at 30 June 2019 (2018: R1 601) is made up as follows:

Other Loans	10
	10
Less: Short-term portion included in Current Assets	-
	10

Refer to Note 12 for more detail.

17. CURRENT ASSETS

Current Assets amounted R82 246 118 as at 30 June 2019 (2018: R84 383 069) and is made up as follows:

Inventories	Note 2	600,904
Receivables from Exchange Transactions	Note 3	27 678,565
Receivables from Non-exchange Transactions	Note 4	18 531,386
Cash and Cash Equivalents	Note 5	35,430,721
Operating Lease Assets	Note 6	4 542
		<u>82 246 118</u>

The increase in the amount for Current Assets is mainly due to the increased amount for Receivables from Non-exchange Transactions in respect of fines accounted for in accordance with GRAP 23.

Refer to the indicated Notes for more detail.

18. INTER-GOVERNMENTAL GRANTS

The Municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 17 and 27, and Appendix "F" for more detail.

19. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 62.

20. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.



CHIEF FINANCIAL OFFICER
31 August 2019

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

		Actual	
	Note	2019	2018
		R	Restated R
ASSETS			
Current Assets		86,896,905	84,383,069
Inventories	2	600,904	453,858
Receivables from Exchange Transactions	3	27,678,565	57,010,900
Receivables from Non-exchange Transactions	4	18,531,386	14,087,517
Cash and Cash Equivalents	5	35,430,721	12,826,252
VAT Receivable	17	4,650,787	-
Current Portion of Operating Lease Receivables	6	4,542	4,542
Non-Current Assets		825,631,754	860,282,600
Property, Plant and Equipment	7	744,418,790	776,194,540
Intangible Assets	8	101,890	136,551
Investment Property	9	74,115,109	76,955,109
Heritage Assets	10	6,959,273	6,959,273
Non-current Investments	11	29,209	28,054
Long-term Receivables	12	10	1,601
Operating Lease Receivables	6	7,473	7,473
Total Assets		912,528,659	944,665,669
LIABILITIES			
Current Liabilities		144,330,019	94,449,396
Consumer Deposits	13	2,414,796	2,345,572
Payables from Exchange Transactions	14	88,423,951	66,745,981
Payables from Non-exchange Transactions	15	3,334,249	3,588,027
Unspent Conditional Grants and Receipts	16	29,782,064	3,477,942
VAT Payable	17	-	2,636,568
Bank Overdraft	5	18,298,647	9,882,584
Current Portion of Long-term Liabilities	18	240,845	3,733,833
Current Portion of Employee Benefit Liabilities	19	1,835,467	2,038,889
Non-Current Liabilities		85,009,864	83,829,982
Long-term Liabilities	18	1,290,339	1,010,843
Employee Benefit Liabilities	19	28,045,357	35,882,413
Non-current Provisions	20	55,674,168	46,936,725
Total Liabilities		229,339,884	178,279,378
Total Assets and Liabilities		683,188,775	766,386,291
NET ASSETS		683,188,776	766,386,291
Accumulated Surplus / (Deficit)	21	683,188,776	766,386,291
Total Net Assets		683,188,776	766,386,291

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

		Actual	
	Note	2019 R	2018 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	22	33,191,190	31,790,141
Property Rates - Penalties imposed and collection charges	23	561,272	388,442
Fines	23	15,775,437	9,201,881
Public Contributions	24	-	200,000
Government Grants and Subsidies Received	25	68,650,878	75,477,821
Revenue from Exchange Transactions			
Service Charges	26	119,871,348	117,824,221
Licences and Permits	27	1,280,739	1,630,387
Rental of Facilities and Equipment	28	842,017	851,520
Interest Earned - External Investments	29	1,954,749	1,468,193
Interest Earned - Outstanding Debtors	29	1,506,328	1,092,857
Other Revenue	30	1,526,723	1,767,461
Gains on Other Operations	43	1,155	2,725
Total Revenue		<u>245,161,836</u>	<u>241,695,649</u>
EXPENDITURE			
Employee Related Costs	32	74,072,709	76,915,008
Remuneration of Councillors	33	5,502,117	5,334,661
Collection Costs	34	-	3,304
Depreciation and Amortisation	35	52,757,212	62,769,912
Impairment Losses	36	62,899,314	25,031,854
Repairs and Maintenance	37	12,489,090	12,251,490
Finance Costs	38	14,255,835	8,207,300
Bulk Purchases	39	62,705,633	59,963,876
Contracted Services	40	9,519,416	7,299,107
Grants and Subsidies Paid	41	410,450	394,212
General Expenses	42	30,097,051	24,901,377
Loss on Disposal of Property, Plant and Equipment	44	808,936	349,572
Loss on Sale of Land	31	2,841,589	1,595,030
Total Expenditure		<u>328,359,352</u>	<u>285,016,705</u>
SURPLUS / (DEFICIT) FOR THE YEAR		<u>(83,197,515)</u>	<u>(43,321,055)</u>
Refer to Budget Statement for explanation of budget variances			

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
2018				
Balance at 1 July 2017	2,252,793	806,814,585	809,067,378	809,068,241
Prior Period Error (Note 45)		639,105	639,105	639,105
Restated Balance	2,252,793	807,453,690	809,706,483	809,707,346
Surplus / (Deficit) for the year	-	(43,321,055)	(43,321,055)	(43,321,055)
Balance at 30 June 2018	2,252,793	764,132,635	766,385,428	766,386,291
2019				
Restated Balance at 1 July 2018	2,252,793	764,132,635	766,385,428	766,386,291
Surplus / (Deficit) for the year	-	(83,197,515)	(83,197,515)	(83,197,515)
Balance at 30 June 2019	2,252,793	680,935,120	683,187,913	683,188,776

Details on the movement of the Funds and Reserves are set out in Note 22.

EMTHANJENI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

		Actual	
	Note	2019 R	2018 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		130,756,192.48	129,523,804.22
Government Grant and Subsidies		94,544,550.00	74,703,928.22
Interest Received		1,954,748.84	1,468,192.92
Payments			
Employee Related Costs		(81,085,994)	(75,624,574)
Remuneration of Councillors		(5,502,117)	(5,334,661)
Interest Paid		(5,518,393)	(4,002,481)
Suppliers Paid		(94,492,013)	(84,822,763)
NET CASH FLOWS FROM OPERATING ACTIVITIES	48	<u>40,656,974</u>	<u>35,911,446</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(23,220,379)	(32,312,047)
Purchase of Intangible Assets	10	(33,110)	(148,610)
Proceeds on Disposal of Property, Plant and Equipment	44	(1,589)	69,630
Proceeds on Sale of Land	31	-	26,970
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(23,255,078)</u>	<u>(32,364,058)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	19	594,355	44,643
Repayment of Borrowings	19	(3,807,847)	(3,432,601)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(3,213,493)</u>	<u>(3,387,958)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>14,188,404</u>	<u>159,430</u>
Cash and Cash Equivalents at Beginning of Period	5	2,943,668	2,784,237
Cash and Cash Equivalents at End of Period	5	17,132,073	2,943,668

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

2019

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Original Budget R	Actual Outcome as % of Final Budget R
FINANCIAL POSITION											
Current Assets											
Inventories	465,343	-	465,343	-	-	465,343	600,904	-	135,561	29.13%	29.13%
Receivables from Exchange Transactions	56,306,284	-	56,306,284	-	-	56,306,284	27,678,565	-	(28,627,719)	(50.84)%	(50.84)%
Receivables from Non-exchange Transactions	-	-	-	-	-	-	18,531,386	-	18,531,386	#DIV/0!	#DIV/0!
Cash and Cash Equivalents	10,480,687	(2,101,000)	8,379,687	-	-	8,379,687	35,430,721	-	27,051,033	238.06%	322.82%
Current Portion of Operating Lease Receivables	4,551	-	4,551	-	-	4,551	4,542	-	(9)	(0.20)%	(0.20)%
Non-Current Assets											
Property, Plant and Equipment	1,057,502,736	(2,101,000)	1,055,401,736	-	-	1,055,401,736	744,418,790	-	(310,982,946)	(29.61)%	(29.47)%
Intangible Assets	382,117	-	382,117	-	-	382,117	101,890	-	(280,226)	(73.34)%	(73.34)%
Investment Property	78,969,995	-	78,969,995	-	-	78,969,995	74,115,109	-	(4,854,886)	(6.15)%	(6.15)%
Heritage Assets	6,959,273	-	6,959,273	-	-	6,959,273	6,959,273	-	-	-	-
Non-current Investments	29,214	-	29,214	-	-	29,214	29,209	-	(5)	(0.02)%	(0.02)%
Long-term Receivables	1,504	-	1,504	-	-	1,504	10	-	(1,494)	(99.34)%	(99.34)%
Operating Lease Receivables	7,510	-	7,510	-	-	7,510	7,473	-	(37)	(0.50)%	(0.50)%
Total Assets	1,211,109,213	(4,202,000)	1,206,907,213	-	-	1,206,907,213	907,877,871	-	(299,029,341)		
Current Liabilities											
Consumer Deposits	2,529,346	-	2,529,346	-	-	2,529,346	2,414,796	-	(114,549)	(4.53)%	(4.53)%
Provisions	1,963,841	-	1,963,841	-	-	1,963,841	1,835,467	-	(128,374)	(6.54)%	(6.54)%
Payables from exchange transactions	40,009,538	-	40,009,538	-	-	40,009,538	88,423,951	-	48,414,414	121.01%	121.01%
Payables from Non-exchange Transactions	-	-	-	-	-	-	3,334,249	-	3,334,249	#DIV/0!	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	29,782,064	-	29,782,064	#DIV/0!	100.00%
VAT Payable	-	-	-	-	-	-	(4,650,787)	-	(4,650,787)	#DIV/0!	100.00%
Bank Overdraft	7,617,329	-	7,617,329	-	-	7,617,329	18,298,647	-	10,681,319	140.22%	140.22%
Current Portion of Long-term Liabilities	3,527,151	-	3,527,151	-	-	3,527,151	240,845	-	(3,286,307)	(93.17)%	(93.17)%
Non-Current Liabilities											
Long-term Liabilities	-	-	-	-	-	-	1,290,339	-	1,290,339	#DIV/0!	#DIV/0!
Retirement Benefit Liabilities	-	-	-	-	-	-	28,045,357	-	28,045,357	#DIV/0!	#DIV/0!
Non-current Provisions	37,142,868	-	37,142,868	-	-	37,142,868	55,674,168	-	18,531,300	49.89%	49.89%
Total Liabilities	92,790,073	-	92,790,073	-	-	92,790,073	224,689,096	-	131,899,024		
Total Assets and Liabilities	1,118,319,140	(4,202,000)	1,114,117,140	-	-	1,114,117,140	683,188,775	-	(430,928,365)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	1,118,319,140	(4,202,000)	1,114,117,140	-	-	1,114,117,140	683,188,776	-	(430,928,365)	(38.91)%	(38.68)%
Total Net Assets	1,118,319,140	(4,202,000)	1,114,117,140	-	-	1,114,117,140	683,188,776	-	(430,928,365)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Management did not budget for the extent of the debtors that was written off, this resulted in the variance.

Receivables from Non-exchange Transactions:

The municipality does not split the receivables between exchange and non-exchange transactions when they perform the budget. Refer to explanation above.

Cash and cash equivalents

Management does not budget for grants to be unspent at yearend. However, this did occur, resulting in the fluctuation.

Property, Plant and Equipment:

The significant fluctuation is due to the depreciation expense which increased in comparison to that of the prior year. The Municipality uses a "backlog" depreciation expense approach which resulted in a significant higher balance being budgeted for.

Intangible Assets:

No new material Intangible Assets were purchased during the year. The Municipality uses a "backlog" amortisation expense approach which resulted in a significant higher balance being budgeted for.

Inventories

The municipality could not foresee that there would be income derived from the inventories adjustment at yearend.

Long-term Receivables:

Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.

Payables from Exchange Transactions:

In relation to the outstanding balance budgeted for, the Municipality's outstanding creditors are material higher largely due to outstanding amounts owed to Eskom. This resulted in the material fluctuation and has caused cash flow constraints experienced by the Municipality.

Payables from Non-exchange Transactions:

The Municipality does not budget for this line item separately. Refer to payables from exchange explanation.

Unspent Conditional Grants and Receipts:

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, amongst others, unspent RBIG funding was still available which will be used for capital projects in the next financial year.

VAT Receivable:

The Municipality did not budget for any outstanding VAT balance, but due to the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist. As well as June's VAT return only being recovered/settled in the following financial year.

Bank Overdraft

The municipality budgeted for greater revenue enhancement to pay its creditors. This however didn't happen, resulting in the municipality to utilise more of the available overdraft.

Long-term Liabilities:

The municipality does not differentiate the long term liabilities between current and non current portions when they perform their budget. Further, the municipality under budgeted for the down payment of finance leases.

Retirement Benefit Liabilities:

The municipality budgets for this line item along with non-current provisions.

Non-current Provisions:

The municipality under budgeted for the balance of retirement benefit liabilities as well as the provision for the landfill sites. The municipality does not split these 2 items in their budget.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	29,289,480	-	29,289,480	-	-	29,289,480	33,191,190	-	3,901,710	13.32%	13.32%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	561,272	-	561,272	#DIV/0!	#DIV/0!
Fines	3,759,600	-	3,759,600	-	-	3,759,600	15,775,437	-	12,015,837	319.60%	319.60%
Government Grants and Subsidies Received	98,262,000	(2,101,000)	96,161,000	-	-	96,161,000	68,650,878	-	(27,510,122)	(30.13)%	(28.61)%
Revenue from Exchange Transactions											
Service Charges	115,054,926	-	115,054,926	-	-	115,054,926	119,871,348	-	4,816,422	4.19%	4.19%
Licences and Permits	2,108,315	-	2,108,315	-	-	2,108,315	1,280,739	-	(827,576)	(39.25)%	(39.25)%
Rental of Facilities and Equipment	832,738	-	832,738	-	-	832,738	842,017	-	9,279	1.11%	1.11%
Interest Earned - External Investments	986,860	-	986,860	-	-	986,860	1,954,749	-	967,889	98.08%	98.08%
Interest Earned - Outstanding Debtors	1,334,634	-	1,334,634	-	-	1,334,634	1,506,328	-	171,694	12.86%	12.86%
Other Income	28,154,421	-	28,154,421	-	-	28,154,421	1,526,723	-	(26,627,698)	(94.58)%	(94.58)%
Gains on Other Operations	-	-	-	-	-	-	1,155	-	1,155	#DIV/0!	#DIV/0!
Gains on Disposal of Property, Plant and Equipment	200,000	-	200,000	-	-	200,000	-	-	(200,000)	(100.00)%	(100.00)%
Total Revenue	279,982,974	(2,101,000)	277,881,974	-	-	277,881,974	245,161,836	-	(32,720,138)		
Expenditure											
Employee Related Costs	82,290,780	568,368	82,859,148	-	-	82,859,148	74,072,709	-	(8,786,439)	(9.99)%	(10.60)%
Remuneration of Councillors	6,788,145	(972,914)	5,815,231	-	-	5,815,231	5,502,117	-	(313,114)	(18.95)%	(5.38)%
Collection Costs	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Depreciation and Amortisation	9,598,934	-	9,598,934	-	-	9,598,934	52,757,212	-	43,158,278	449.62%	449.62%
Impairment Losses	7,000,942	-	7,000,942	-	-	7,000,942	62,899,314	-	55,898,371	798.44%	798.44%
Repairs and Maintenance	21,990,873	(109,980)	21,880,893	-	-	21,880,893	12,489,090	-	(9,391,803)	(43.21)%	(42.92)%
Finance Costs	1,428,525	-	1,428,525	-	-	1,428,525	14,255,835	-	12,827,310	897.94%	897.94%
Bulk Purchases	64,814,196	-	64,814,196	-	-	64,814,196	62,705,633	-	(2,108,564)	(3.25)%	(3.25)%
Contracted Services	10,311,800	(60,000)	10,251,800	-	-	10,251,800	9,519,416	-	(732,384)	(7.68)%	(7.14)%
Grants and Subsidies Paid	-	-	-	-	-	-	410,450	-	410,450	#DIV/0!	#DIV/0!
General Expenses	40,795,480	(9,476)	40,786,004	-	-	40,786,004	30,097,051	-	(10,688,953)	(26.22)%	(26.21)%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	808,936	-	808,936	#DIV/0!	#DIV/0!
Loss on Sale of Land	-	-	-	-	-	-	2,841,589	-	2,841,589	#DIV/0!	#DIV/0!
Total Expenditure	245,019,675	(584,002)	244,435,674	-	-	244,435,674	328,359,352	-	83,923,678		
Surplus/(Deficit)	34,963,299	(1,516,998)	33,446,300	-	-	33,446,300	(83,197,515)	-	(116,643,816)	(337.96)%	(348.75)%
Surplus/(Deficit for the Year)	34,963,299	(1,516,998)	33,446,300	-	-	33,446,300	(83,197,515)	-	(116,643,816)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates:

The municipality under budgeted for the property rates income.

Property Rates - Penalties imposed and collection charges:

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

Fines:

For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

Grants and subsidies received

As the municipality did not budget for any grants to be unspent at yearend, they budgeted for all income to be derived as well, this however did not happen, resulting in the variance.

Licences and Permits:

The Municipality anticipated an increase in the revenue generated from motor registrations, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it.

Interest Earned - External Investments:

Due to unspent conditional grants invested in investment bank accounts, the municipality was able to generate greater interest than budgeted for.

Interest Earned - Outstanding debtors:

As previously stated, the municipality budgets for penalties on property rates as interest. The municipality budgeted for better ageing of debtors that would result in less interest being charged to the accounts, this did however not happen, resulting in the variance.

Other Income:

The Municipality budgets for pre-paid sales amongst others under other income, resulting in the variance.

Gains on Other Operations:

The municipality did not budget for an adjustment in value in the OVK shares, this is however trivial.

Gains on Disposal of Property, Plant and Equipment:

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). However, no auction was held in the current year.

Depreciation and Amortisation:

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

Impairment:

The municipality did not budget that close to R60mil worth of debtors would be written off during the year.

Repairs and Maintenance:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

Finance Costs:

The Municipality incurred finance cost expenditure on large overdue creditors like Eskom. The municipality did not foresee the large amount of creditors and thus also not the finance cost raised on these creditors.

Contracted Services:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds on amongst other external consultants used, compared to the budgeted expenditure.

Grants and subsidies paid

The municipality did not budget for the ward committee remuneration

General Expenditure:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

Loss on Disposal of Property, Plant and Equipment:

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to no auction held and not budgeting for asset write-offs, a variance exists.

Loss on disposal of Land:

The municipality re-classified property held for sale from inventory to PPE in the previous financial year. This resulted in all of these properties to be re-valued. The municipality did not budget for this loss incurred.

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	1,631,250	-	1,631,250	-	-	1,631,250	594,355	-	(1,036,895)	(163.56)%	(63.56)%
Finance and Administration	809,400	(348,000)	461,400	-	-	461,400	45,384	-	(416,016)	(151.40)%	(90.16)%
Planning and Development	-	-	-	-	-	-	786,815	-	786,815	100.00%	100.00%
Health	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	69,000	90,000	159,000	-	-	159,000	117,979	-	(41,021)	(159.45)%	(25.80)%
Housing	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Public Safety	30,450	-	30,450	-	-	30,450	15,652	-	(14,798)	(148.60)%	(48.60)%
Sport and Recreation	34,250	-	34,250	-	-	34,250	7,252	-	(26,998)	(178.83)%	(78.83)%
Waste Management	9,000	-	9,000	-	-	9,000	10,415	-	1,415	(84.28)%	15.72%
Roads and Transport	13,370,077	(3,843,000)	9,527,077	-	-	9,527,077	9,027,249	-	(499,828)	(103.74)%	(5.25)%
Water	34,969,000	-	34,969,000	-	-	34,969,000	8,764,765	-	(26,204,235)	(174.94)%	(74.94)%
Electricity	4,270,000	2,000,000	6,270,000	-	-	6,270,000	3,830,738	-	(2,439,262)	(157.13)%	(38.90)%
Other	-	-	-	-	-	-	21,384	-	21,384	-	-
Total Capital Expenditure	55,192,427	(2,101,000)	53,091,427	-	-	53,091,427	23,221,988	-	(29,869,439)		
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
The large fluctuations are due to the movement in WIP projects for the year. Furthermore the municipality anticipated for larger capital expenditure but due to amongst others all capital grant moneys not spent, the municipality over budgeted for this.											

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	27,583,532	-	27,583,532	-	-	27,583,532	-	-	(27,583,532)	(100.00)%	(100.00)%
Grants	98,262,000	(2,101,000)	96,161,000	-	-	96,161,000	94,544,550	-	(1,616,450)	(3.78)%	(1.68)%
Service Charges	109,069,177	-	109,069,177	-	-	109,069,177	130,756,192	-	21,687,015	19.88%	19.88%
Interest Received	2,054,567	-	2,054,567	-	-	2,054,567	1,954,749	-	(99,818)	(4.86)%	(4.86)%
Other Receipts	33,406,228	-	33,406,228	-	-	33,406,228	-	-	(33,406,228)	(100.00)%	(100.00)%
Employee Related Costs	(82,290,780)	(568,368)	(82,859,148)	-	-	(82,859,148)	(81,085,994)	-	1,773,154	(1.46)%	(2.14)%
Remuneration of Councillors	(6,788,145)	972,914	(5,815,231)	-	-	(5,815,231)	(5,502,117)	-	313,114	(18.95)%	(5.38)%
Interest Paid	(1,428,525)	-	(1,428,525)	-	-	(1,428,525)	(5,518,393)	-	(4,089,868)	286.30%	286.30%
Suppliers Paid	(127,626,333)	-	(127,626,333)	-	-	(127,626,333)	(94,492,013)	-	33,134,319	(25.96)%	(25.96)%
Other Payments	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(54,608,427)	2,101,000	(52,507,427)	-	-	(52,507,427)	(23,253,489)	-	29,253,938	(57.42)%	(55.71)%
Proceeds on Disposal of Property, Plant and Equipment	200,000	-	200,000	-	-	200,000	(1,589)	-	(201,589)	(100.79)%	(100.79)%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Cash Flows from/(used in) Financing Activities											
New Loans raised	3,527,151	-	3,527,151	-	-	3,527,151	594,355	-	(2,932,796)	(83.15)%	(83.15)%
Loans repaid	(3,527,151)	-	(3,527,151)	-	-	(3,527,151)	(3,807,847)	-	(280,696)	7.96%	7.96%
Increase / (Decrease) in Consumer Deposits	97,926	-	97,926	-	-	97,926	-	-	(97,926)	(100.00)%	(100.00)%
Cash and Cash Equivalents at End of the Year	(2,068,779)	404,546	(1,664,233)	-	-	(1,664,233)	14,188,404	-	15,852,637		
Cash Flow: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
The material fluctuation is mainly attributable to cost containment pertaining to suppliers paid not budgeted for as well as it being budgeted that all grants would be spent at yearend on capital expenditure which did not occur. A detailed cash flow breakdown has been provided, due to the fact that the municipal budget may differ in where some items are accounted for in relationship to how it is disclosed in the AFS. The cashflow calculation and disclosure as per the AFS was rigorously looked at by the AG.											

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	66,211,332	(65,621,332)	590,000	-	-	590,000	453,858	-	(136,142)	(99.31)%	(23.07)%
Receivables from Exchange Transactions	23,508,686	-	23,508,686	-	-	23,508,686	57,010,900	-	33,502,214	142.51%	142.51%
Receivables from Non-exchange Transactions	11,615,122	-	11,615,122	-	-	11,615,122	14,087,517	-	2,472,394	21.29%	21.29%
Cash and Cash Equivalents	10,141,236	(232,555)	9,908,681	-	-	9,908,681	12,826,252	-	2,917,571	26.48%	29.44%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	4,542	-	4,542	#DIV/0!	#DIV/0!
Non-Current Assets											
Property, Plant and Equipment	947,605,033	71,753,525	1,019,358,558	-	-	1,019,358,558	776,194,540	-	(243,164,018)	(18.09)%	(23.85)%
Intangible Assets	382,117	-	382,117	-	-	382,117	136,551	-	(245,566)	(64.26)%	(64.26)%
Investment Property	5,018,200	65,621,332	70,639,532	-	-	70,639,532	76,955,109	-	6,315,577	1433.52%	8.94%
Heritage Assets	-	-	-	-	-	-	6,959,273	-	6,959,273	#DIV/0!	#DIV/0!
Non-current Investments	28,782	-	28,782	-	-	28,782	28,054	-	(728)	(2.53)%	(2.53)%
Long-term Receivables	-	-	-	-	-	-	1,601	-	1,601	#DIV/0!	#DIV/0!
Operating Lease Receivables	56,120	-	56,120	-	-	56,120	7,473	-	(48,647)	(86.68)%	(86.68)%
Total Assets	1,064,566,628	71,520,969	1,136,087,597	-	-	1,136,087,597	944,665,669	-	(191,421,928)		
Current Liabilities											
Consumer Deposits	2,289,134	-	2,289,134	-	-	2,289,134	2,345,572	-	56,438	2.47%	2.47%
Provisions	2,971,980	-	2,971,980	-	-	2,971,980	2,038,889	-	(933,091)	(31.40)%	(31.40)%
Payables from Exchange Transactions	16,352,308	2,400,000	18,752,308	-	-	18,752,308	66,745,981	-	47,993,673	308.17%	255.93%
Payables from Non-exchange Transactions	-	-	-	-	-	-	3,588,027	-	3,588,027	100.00%	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	3,477,942	-	3,477,942	100.00%	100.00%
VAT Payable	-	-	-	-	-	-	2,636,568	-	2,636,568	100.00%	100.00%
Bank Overdraft	9,337,571	-	9,337,571	-	-	9,337,571	9,882,584	-	545,013	5.84%	5.84%
Current Portion of Long-term Liabilities	687,608	-	687,608	-	-	687,608	3,733,833	-	3,046,225	443.02%	443.02%
Non-Current Liabilities											
Long-term Liabilities	-	-	-	-	-	-	1,010,843	-	1,010,843	#DIV/0!	#DIV/0!
Retirement Benefit Liabilities	26,321,074	-	26,321,074	-	-	26,321,074	35,862,413	-	9,561,339	100.00%	100.00%
Non-current Provisions	17,455,196	-	17,455,196	-	-	17,455,196	46,936,725	-	29,481,529	168.90%	168.90%
Total Liabilities	75,414,871	2,400,000	77,814,871	-	-	77,814,871	178,279,378	-	100,464,507		
Total Assets and Liabilities	989,151,757	69,120,969	1,058,272,726	-	-	1,058,272,726	766,386,291	-	(291,886,435)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	993,615,403	65,388,776	1,059,004,179	-	-	1,059,004,179	766,386,291	-	(292,617,888)	(22.87)%	(27.63)%
Total Net Assets	993,615,403	65,388,776	1,059,004,179	-	-	1,059,004,179	766,386,291	-	(292,617,888)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Management is attempting to enforce the Debt and Credit Collection Policy, resulting a significant lower budgeted amount. The results were however not obtained. The increase however remains consistent with that of the previous year and a sufficient allowance for doubtful debt was provided for all doubtful consumer debtors, excluding Government Debt.

Receivables from Non-exchange Transactions:

The material variance is attributed to the recognition of all fines in accordance with GRAP 23. A higher payment rate was expected, but not received. This resulted in a under budgeted amount regarding the receivables.

Cash and cash equivalents

Management does not budget for grants to be unspent at yearend. However, this did occur, resulting in the fluctuation.

Operating Lease Receivables:

The Municipality budgeted for other Non-current Assets, which includes the Operating Lease Assets. The Operating Lease assets are based on the rental income generated, which includes escalations. As these rental contracts are nearing their term, the asset is decreasing. The Municipality overbudgeted for the asset at yearend.

Property, Plant and Equipment:

The significant fluctuation is due to the depreciation expense which increased in comparison to that of the prior year. The Municipality uses a "backlog" depreciation expense approach which resulted in a significant higher balance being budgeted for.

Intangible Assets:

No new material Intangible Assets were purchased during the year. The Municipality uses a "backlog" amortisation expense approach which resulted in a significant higher balance being budgeted for.

Inventories

The municipality transferred all investment property from inventories to PPE in the previous financial year. The municipality under budgeted for stock in the stores at yearend. This resulted in the significant fluctuation.

Heritage Assets:

The transitional provisions of GRAP 103 ended 30 June 2015 and the Heritage Assets were valued and recorded in accordance with GRAP 3. Management has not yet adjusted the budget to take into account the balance.

Long-term Receivables:

Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.

Provisions:

An actuarial gain (as determined by the actuaries) resulted in the increase not meeting the expected growth (increase).

Payables from Exchange Transactions:

In relation to the outstanding balance budgeted for, the municipality's outstanding creditors are material higher largely due to outstanding amounts owed to Eskom. This resulted in the material fluctuation and has caused cash flow constraints experienced by the Municipality.

Payables from Non-exchange Transactions:

The Municipality did not budget for this line item as it is represented by Paid in Advance accounts.

Unspent Conditional Grants and Receipts:

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, unspent WSIG funding was still available which will be used for capital projects in the next financial year.

VAT Payable:

The Municipality did not budget for any VAT to be payable at yearend, but due to the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist.

Bank Overdraft

The municipality budgeted for greater revenue enhancement to pay its creditors. This however didn't happen, resulting in the municipality to utilise more of the available overdraft.

Long-term Liabilities:

The municipality does not differentiate the long term liabilities between current and non current portions when they perform their budget, thus resulting in the under budgeted amount.

Retirement Benefit Liabilities:

The increase is attributable to the variables within the actuarial valuation, which increased resulting in higher than expected interest costs.

Non-current Provisions:

The calculations pertaining to the provision for landfill sites were amended in the 2018 financial year. The municipality could not foresee this and hence this was not budgeted for.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	27,762,540	-	27,762,540	-	-	27,762,540	31,790,141	-	4,027,601	14.51%	14.51%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	388,442	-	388,442	100.00%	100.00%
Fines	3,720,000	-	3,720,000	-	-	3,720,000	9,201,881	-	5,481,881	147.36%	147.36%
Public contributions	-	-	-	-	-	-	200,000	-	200,000	#DIV/0!	#DIV/0!
Government Grants and Subsidies Received	73,053,000	2,699,000	75,752,000	-	-	75,752,000	75,477,821	-	(274,179)	3.32%	(0.36)%
Revenue from Exchange Transactions											
Service Charges	119,675,979	(2,800,000)	116,875,979	-	-	116,875,979	117,824,221	-	948,242	(1.55)%	0.81%
Licences and Permits	1,970,388	-	1,970,388	-	-	1,970,388	1,630,387	-	(340,001)	(17.26)%	(17.26)%
Rental of Facilities and Equipment	789,075	-	789,075	-	-	789,075	851,520	-	62,445	7.91%	7.91%
Interest Earned - External Investments	931,000	-	931,000	-	-	931,000	1,468,193	-	537,193	57.70%	57.70%
Interest Earned - Outstanding Debtors	1,259,089	-	1,259,089	-	-	1,259,089	1,092,857	-	(166,232)	(13.20)%	(13.20)%
Other Income	28,119,625	(4,000,000)	24,119,625	-	-	24,119,625	1,767,461	-	(22,352,164)	(93.71)%	(92.67)%
Gains on Other Operations	-	-	-	-	-	-	2,725	-	2,725	100.00%	100.00%
Gains on Disposal of Property, Plant and Equipment	268,000	-	268,000	-	-	268,000	-	-	(268,000)	(100.00)%	(100.00)%
Total Revenue	257,548,696	(4,101,000)	253,447,696	-	-	253,447,696	241,695,649	-	(11,752,047)		
Expenditure											
Employee Related Costs	76,930,252	(327,856)	76,602,396	-	-	76,602,396	76,915,008	-	312,612	(0.02)%	0.41%
Remuneration of Councillors	5,275,150	75,327	5,350,477	-	-	5,350,477	5,334,661	-	(15,816)	1.13%	(0.30)%
Collection Costs	-	-	-	-	-	-	3,304	-	3,304	100.00%	100.00%
Depreciation and Amortisation	9,055,599	-	9,055,599	-	-	9,055,599	62,769,912	-	53,714,313	593.16%	593.16%
Impairment Losses	7,578,345	(900,000)	6,678,345	-	-	6,678,345	25,031,854	-	18,353,509	230.31%	274.82%
Repairs and Maintenance	19,397,385	-	19,397,385	-	-	19,397,385	12,251,490	-	(7,145,895)	(36.84)%	(36.84)%
Finance Costs	2,054,710	-	2,054,710	-	-	2,054,710	8,207,300	-	6,152,590	299.44%	299.44%
Bulk Purchases	60,434,251	-	60,434,251	-	-	60,434,251	59,963,876	-	(470,375)	(0.78)%	(0.78)%
Contracted Services	9,818,660	-	9,818,660	-	-	9,818,660	7,299,107	-	(2,519,553)	(25.66)%	(25.66)%
Grants and Subsidies Paid	-	-	-	-	-	-	394,212	-	394,212	#DIV/0!	#DIV/0!
General Expenses	40,804,893	(135,522)	40,669,371	-	-	40,669,371	24,901,377	-	(15,767,994)	(38.97)%	(38.77)%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	349,572	-	349,572	100.00%	100.00%
Loss on Sale of Land	-	-	-	-	-	-	1,595,030	-	1,595,030	100.00%	100.00%
Total Expenditure	231,349,245	(1,288,051)	230,061,194	-	-	230,061,194	285,016,705	-	54,955,511		
Surplus/(Deficit)	26,199,451	(2,812,949)	23,386,502	-	-	23,386,502	(43,321,055)	-	(66,707,557)	(265.35)%	(285.24)%
Surplus/(Deficit for the Year)	26,199,451	(2,812,949)	23,386,502	-	-	23,386,502	(43,321,055)	-	(66,707,557)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates:

At the time the budget was compiled, the municipality wrongfully did not change one of it's property rates tariffs from the previous year, this was later ammended but not before submitting the budget, resulting in an under budgeted amount.

Property Rates - Penalties imposed and collection charges:

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

Fines:

For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

Public contributions

At the time of budget preparation, the municipality had no knowledge that they would receive public contributions (towards hosting the mayoral tournament amongst others)

Licences and Permits:

The Municipality anticipated an increase in the revenue generated from motor registrations, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it.

Interest Earned - External Investments:

Due to unspent conditional grants invested in investment bank accounts, the municipality was able to generate greater interest than budgeted for.

Interest Earned - Outstanding debtors:

As previously stated, the municipality budgets for penalties on property rates as interest, resulting in the difference identified.

Other Income:

The Municipality was not able to generate the desired revenue.

Gains on Other Operations:

The municipality did not budget for an increase in value in the OVK shares, as the shares decreased in value the previous financial year.

Gains on Disposal of Property, Plant and Equipment:

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to the economic situation within the municipal boundaries, the desired prices were not reached.

Collection Costs:

This expenditure is trivial.

Depreciation and Amortisation:

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

Repairs and Maintenance:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

Finance Costs:

The Municipality incurred finance cost expenditure on large overdue creditors like Eskom. The municipality did not foresee the large amount of creditors and thus also not the finance cost raised on these creditors.

Contracted Services:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds on amongst other external consultants used, compared to the budgeted expenditure.

Grants and subsidies paid

The municipality did not budget for the ward committee remuneration

General Expenditure:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

Loss on Disposal of Property, Plant and Equipment:

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to the economic situation within the municipal boundaries, the desired prices were not reached. Unverified assets also contributed to the loss.

Loss on disposal of Land:

The municipality re-classified property held for sale from inventory to PPE in the previous financial year. This resulted in all of these properties to be re-valued. The municipality did not budget for this loss incurred.

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	1,925,000	-	1,925,000	-	-	1,925,000	1,076,206	-	(848,794)	(144.09)%	(44.09)%
Finance and Administration	1,260,000	-	1,260,000	-	-	1,260,000	187,734	-	(1,072,266)	(185.10)%	(85.10)%
Planning and Development	-	-	-	-	-	-	22,131	-	22,131	#DIV/0!	#DIV/0!
Health	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Community and Social Services	120,000	-	120,000	-	-	120,000	308,998	-	188,998	57.50%	157.50%
Housing	-	-	-	-	-	-	3,319	-	3,319	#DIV/0!	#DIV/0!
Public Safety	57,000	-	57,000	-	-	57,000	-	-	(57,000)	(200.00)%	(100.00)%
Sport and Recreation	65,000	-	65,000	-	-	65,000	-	-	(65,000)	(200.00)%	(100.00)%
Environmental Protection	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Waste Management	22,000	-	22,000	-	-	22,000	9,635,195	-	9,613,195	43596.34%	43696.34%
Roads and Transport	15,153,000	(2,000,000)	13,153,000	-	-	13,153,000	13,657,674	-	504,674	(96.67)%	3.84%
Water	14,080,000	3,199,000	17,279,000	-	-	17,279,000	498,022	-	(16,780,978)	(219.18)%	(97.12)%
Electricity	6,400,000	1,500,000	7,900,000	-	-	7,900,000	6,922,768	-	(977,232)	(115.27)%	(12.37)%
Other	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Capital Expenditure	39,082,000	2,699,000	41,781,000	-	-	41,781,000	32,312,047	-	(9,468,953)		
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
The large fluctuations are due to the movement in WIP projects for the year. Furthermore the municipality anticipated for larger capital expenditure but due to amongst others all capital grant moneys not spent, the municipality over budgeted for this.											

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	24,941,995	-	24,941,995	-	-	24,941,995	-	-	(24,941,995)	(100.00)%	(100.00)%
Grants	73,053,000	2,699,000	75,752,000	-	-	75,752,000	74,703,928	-	(1,048,072)	2.26%	(1.38)%
Service Charges	113,321,180	(2,050,000)	111,271,180	-	-	111,271,180	129,057,902	-	17,786,722	13.89%	15.99%
Interest Received	1,722,867	-	1,722,867	-	-	1,722,867	1,468,193	-	(254,674)	(14.78)%	(14.78)%
Other Receipts	33,310,534	(3,400,000)	29,910,534	-	-	29,910,534	(82,893,224)	-	(112,803,757)	(348.85)%	(377.14)%
Employee Related Costs	(76,930,252)	2,908,051	(74,022,201)	-	-	(74,022,201)	(76,915,008)	-	(2,892,807)	(0.02)%	3.91%
Remuneration of Councillors	(5,275,150)	-	(5,275,150)	-	-	(5,275,150)	(5,334,661)	-	(59,511)	1.13%	1.13%
Interest Paid	(2,054,710)	-	(2,054,710)	-	-	(2,054,710)	(4,002,480)	-	(1,947,770)	94.80%	94.80%
Suppliers Paid	(123,336,287)	-	(123,336,287)	-	-	(123,336,287)	-	-	123,336,287	(100.00)%	(100.00)%
Other Payments	-	-	-	-	-	-	-	-	-	(100.00)%	(100.00)%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(39,082,000)	(2,699,000)	(41,781,000)	-	-	(41,781,000)	(32,631,129)	-	9,149,871	(16.51)%	(21.90)%
Purchase of Intangible Assets	268,000	-	268,000	-	-	268,000	96,600	-	(171,400)	(100.00)%	(100.00)%
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Cash Flows from/(used in) Financing Activities											
New Loans raised	94,769	3,338,424	(3,433,193)	-	-	(3,433,193)	-	-	3,433,193	#DIV/0!	(100.00)%
Loans repaid	-	94,769	94,769	-	-	94,769	(3,390,692)	-	(3,485,461)	#DIV/0!	(3677.85)%
Increase / (Decrease) in Consumer Deposits	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Cash and Cash Equivalents at End of the Year	33,945	(2,541,949)	(5,941,197)	-	-	(5,941,197)	159,429	-	6,100,626		
Cash Flow: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
The material fluctuation is mainly attributable to the material creditors paid at yearend and the new finance lease entered into during the year. A detailed cash flow breakdown has been provided, due to the fact that the municipal budget may differ in where some items are accounted for in relationship to how it is disclosed in the AFS. The cashflow calculation and disclosure as per the AFS was rigorously looked at by the AG.											

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2019	2018
	R	R
Net Surplus/(Deficit) per the Statement of Financial Performance	(83,197,515)	(43,321,055)
Revenue from Non-exchange Transactions		
Property Rates	(3,901,710)	(4,027,601)
Property Rates - Penalties imposed and collection charges	(561,272)	(388,442)
Fines	(12,015,837)	(5,481,881)
Public contributions	-	(200,000)
Government Grants and Subsidies Received	27,510,122	274,179
Revenue from Exchange Transactions		
Service Charges	(4,816,422)	(948,242)
Licences and Permits	827,576	340,001
Rental of Facilities and Equipment	(9,279)	(62,445)
Interest Earned - External Investments	(967,889)	(537,193)
Interest Earned - Outstanding Debtors	(171,694)	166,232
Other Revenue	26,627,698	22,352,164
Gains on Other Operations	(1,155)	(2,725)
Gains on Disposal of Property, Plant and Equipment	200,000	268,000
Profit on Sale of Land		
Expenditure		
Employee Related Costs	(8,786,439)	312,612
Remuneration of Councillors	(313,114)	(15,816)
Collection Costs	-	3,304
Depreciation and Amortisation	43,158,278	53,714,313
Impairment Losses	55,898,371	18,353,509
Repairs and Maintenance	(9,391,803)	(7,145,895)
Finance Costs	12,827,310	6,152,590
Bulk Purchases	(2,108,564)	(470,375)
Contracted Services	(732,384)	(2,519,553)
Grants and Subsidies Paid	410,450	394,212
General Expenses	(10,688,953)	(15,767,994)
Loss on Disposal of Property, Plant and Equipment	808,936	349,572
Loss on Disposal of Land	2,841,589	1,595,030
Net Surplus/Deficit per Approved Budget	33,446,300	23,386,502

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2019 and 30 June 2018, the Municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The Municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations And Assumptions

In the application of the Municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 13.2 on Revenue from Exchange Transactions and Accounting Policy 13.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets

As described in Accounting Policies 3.3, 5.2 and 6.2 the Municipality depreciates its property, plant and equipment, investment property and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. BASIS OF PRESENTATION (continued)

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

Accounting Policy 8 on Impairment of assets Accounting Policy 11.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the Net Realisable Value for inventories involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 10 to the AFS, whilst no impairments were made to intangible assets or inventory.

1.2.6 Designation: Cash Generating - or Non-Cash Generating Assets

According to GRAP 21.74 "An entity shall disclose in the summary of accounting policies, the judgements management has made in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets" Specific exclusion from GRAP 21 and GRAP 26 impairment includes Inventories, Investment Properties at fair value and Biological Assets etc. Management concluded on the following regarding the designation:

Administrative / owner-occupied assets

It is accepted that all administrative assets, for example, vehicles, office equipment/furniture, plant and machinery, computer equipment and administrative land and buildings are non-cash-generating assets as they do not generate any return.

Infrastructure assets

• Roads

Roads do not generate any return and is therefore categorised as non-cash-generating assets.

• Water

The water network was acquired to deliver a service to the community.

The objective of the assets originally acquired and the subsequent additions were not acquired as an investment that was expected to generate a commercial profit to the municipality.

The services charges collected from water will not generate a return that is significantly higher than cost.

If the municipality is not able to collect any cash flows from consumers for providing the service, the municipality would not be able to sell the water network, as the service would still have to be delivered.

The water network assets are non-cash-generating assets.

• Electricity

The electricity network was acquired to deliver a service to the community.

The objective of the assets originally acquired and the subsequent additions were not acquired as an investment that was expected to generate a commercial profit to the municipality.

The services charges collected from electricity will not generate a return that is significantly higher than cost.

If the municipality is not able to collect any cash flows from consumers for providing the service, the municipality would not be able to sell the electricity network, as the service would still have to be delivered.

The electricity network assets are non-cash-generating assets.

• Waste management

Waste management do generate a return in the form of a fee charged at landfill sites for the disposing of household waste when the load is of a certain size. These landfill sites are however managed to protect health, well-being and the environment by providing the facility to safely dispose of household waste.

Landfill sites are non-cash-generating assets.

Community assets

Community assets are all categorised as non-cash generating assets even if some of these assets, for example, swimming pool, community hall or cemeteries generate a return.

The return generated by these assets is small and immaterial in relation to the cost of the assets and therefor is not considered to be a commercial return. In addition, all community assets are held with the primary objectives of service delivery in the community, to uplift the communities and to stimulate and enhance economic growth in the different communities.

1.2.7 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 2 of the accounting policy to the Annual Financial Statements.

1.2.8 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the Municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 21 to the Annual Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.2.9 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 8.95% (2018: 9.84%) and discounted to the present value.

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 8.95% (2018: 9.84%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 8.95% (2018: 9.84%).

1.2.10 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments To Standards And Interpretations Issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 20 Related Party Disclosures (Revised)
GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial Statements
GRAP 36 Investments in Associates and Joint Ventures
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of Interests in Other Entities
GRAP 104 Financial Instruments
GRAP 110 Living and Non- Living Resources
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18 Recognition and Derecognition of Land
IGRAP 19 Liabilities to Pay Levies

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. BASIS OF PRESENTATION (continued)

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

2. NETT ASSETS

Included in the nett assets of the Municipality, are the following reserves that are maintained in terms of specific requirements:

2.1.1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment with significant cost attached to them have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, unless a specific decision has been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model. When an item of PPE is revalued, the entire class of property to which that asset belongs, should be re-valued. In such instance the following applies:

Subsequent to initial recognition property, plant and equipment will be carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of property, plant and equipment as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to the Statement of Changes in Net Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	5 - 100
Roads and Storm water	3 - 80		
Electricity	3 - 60	Other	
Water	5 - 75	Motor Vehicles	3 - 15
Sewerage	5 - 75	Office Equipment	3 - 15
Landfill Sites	10 - 65	Furniture and Fittings	2 - 10
		Other Plant and Equipment	2 - 15
Community		Emergency Equipment	2 - 10
Recreational Facilities	5 - 60		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term. Furthermore, a Finance Lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as a Capital asset.

3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the Municipality in terms of the asset management policy.

3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

4.1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4.2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4.3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

5. INTANGIBLE ASSETS

5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5. INTANGIBLE ASSETS (continued)

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	3 - 5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

5.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

6. INVESTMENT PROPERTY

6.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

6. INVESTMENT PROPERTY (continued)

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property.

6.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

6.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

7.1 Impairment of Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

7.2 Impairment of Non-Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

7. IMPAIRMENT OF ASSETS (continued)

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- (i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The Municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

8.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

8. FINANCIAL INSTRUMENTS (continued)

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Long-term Investments	Financial asset at fair value
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- Financial Liabilities measured at fair value or
- Financial Liabilities measured at amortised cost
- Financial Liabilities measured at cost

The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long-term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank Overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current Portion of Long-term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Fair value methods and assumptions

8.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

8. FINANCIAL INSTRUMENTS (continued)

8.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

8.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus import taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Taxes recoverable by the entity from the SARS may not be included.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

9. INVENTORIES (continued)

9.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

Water inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a FIFO cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. REVENUE RECOGNITION

10.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10. REVENUE RECOGNITION (continued)

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

10.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

10.2.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10.2.6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.2.7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10.2.8 Dividends

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10. REVENUE RECOGNITION (continued)

10.3.1 Rates And Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

10.3.3 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

10.3.4 Revenue From Recovery of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

10.3.5 Donations

Donations are recognised on a cash receipt basis, or, where the donation is in the form of property, plant and equipment, when the risk and rewards of ownership have transferred to the entity. Donations are measured at fair value.

11. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

12. EMPLOYEE BENEFITS

12.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The Municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

12.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12.2.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

12.3 Post-Retirement Health Care Benefits:

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

12.4 Long-Service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

12.5 Defined Benefit Pension Plans

The Municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

The Municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed previously.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

13. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

13.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The Municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 The Municipality As Lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

13.3 Determining Whether An Arrangement Contains A Lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

14. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

15. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax, 1991 (Act No. 89 of 1991).

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Municipal Systems Act, 2000 (Act No. 32 of 2000) and the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 40 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 41 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

21. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The Municipality changed its accounting policy from IPSAS 20 to GRAP 20 with no effect on the financial information disclosed

22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

23. COMPARATIVE INFORMATION

23.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2018 to 30 June 2019.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial

25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

26. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
1. GENERAL INFORMATION		
<p>Emthanjeni Municipality (the Municipality) is a local government institution in De Aar, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley-ka-Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p>		
2. INVENTORIES		
Consumable Stores	564,048	426,746
Property Stock	-	-
Water - at cost	36,856	27,112
Total Inventories	600,904	453,858

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R1.1685 per kilolitre (2018: R1.0739) per kilolitre.

No inventory was written off during this or the previous financial year.

No Inventories have been pledged as collateral for Liabilities of the Municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Service Debtors:	107,517,486	(79,913,814)	27,603,672
Electricity	24,876,212	(13,649,406)	11,226,806
Refuse	13,089,102	(11,789,470)	1,299,632
Town Commonage	3,908,829	(3,752,952)	155,877
Rental of municipal buildings	1,594,974	(1,519,887)	75,087
Sewerage	25,441,622	(21,071,809)	4,369,813
Water	38,606,747	(28,130,290)	10,476,457
Other Receivables	360,750	(285,857)	74,893
Total Receivables from Exchange Transactions	107,878,236	(80,199,670)	27,678,565
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2018			
Service Debtors:	147,785,916	(90,852,112)	56,933,803
Electricity	25,122,605	(13,036,504)	12,086,101
Refuse	17,464,360	(12,836,311)	4,628,049
Town Commonage	3,504,194	(3,477,902)	26,292
Rental of municipal buildings	1,479,151	(1,402,790)	76,361
Sewerage	34,258,666	(23,822,995)	10,435,671
Water	65,956,940	(36,275,610)	29,681,330
Other Receivables	395,581	(318,485)	77,097
Total Receivables from Exchange Transactions	148,181,497	(91,170,597)	57,010,900

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2019, the Municipality is owed R5 405 635 (30 June 2018: R3 915 667) by National and Provincial Government.

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2019

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	5,956,449	1,015,075	761,726	17,142,962	24,876,212
Less: Provision for Impairment	(1,150,592)	(473,607)	(379,891)	(11,645,316)	(13,649,406)
Net Balances	4,805,857	541,468	381,835	5,497,646	11,226,806
Refuse:					
Gross Balances	476,409	361,460	335,891	11,915,340	13,089,102
Less: Provision for Impairment	(228,467)	(293,019)	(281,906)	(10,986,078)	(11,789,470)
Net Balances	247,942	68,442	53,985	929,262	1,299,632
Sewerage:					
Gross Balances	1,038,606	705,302	645,236	23,052,478	25,441,622
Less: Provision for Impairment	(387,051)	(497,099)	(464,667)	(19,722,992)	(21,071,809)
Net Balances	651,555	208,203	180,570	3,329,486	4,369,813
Water:					
Gross Balances	2,796,787	1,330,160	991,158	33,488,642	38,606,747
Less: Provision for Impairment	(575,322)	(764,080)	(626,653)	(26,164,235)	(28,130,290)
Net Balances	2,221,465	566,081	364,505	7,324,407	10,476,457
Town Commonage					
Gross Balances	33,854	33,616	33,616	3,807,743	3,908,829
Less: Provision for Impairment	(32,382)	(32,382)	(32,382)	(3,655,807)	(3,752,952)
Net Balances	1,472	1,234	1,234	151,936	155,877
Rental of municipal buildings					
Gross Balances	54,351	27,301	25,750	1,487,572	1,594,974
Less: Provision for Impairment	(22,093)	(23,046)	(22,270)	(1,452,478)	(1,519,887)
Net Balances	32,258	4,255	3,480	35,094	75,087
Other Receivables:					
Gross Balances	22,646	11,731	8,266	318,107	360,750
Less: Provision for Impairment	(9,227)	(6,367)	(6,020)	(264,243)	(285,857)
Net Balances	13,419	5,365	2,246	53,865	74,893

As at 30 June Receivables of R19 704 597 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	3,484,646	2,801,644	91,212,843	97,499,133
Less: Provision for Impairment	(2,089,599)	(1,813,789)	(73,891,149)	(77,794,536)
Net Balances	1,395,047	987,855	17,321,695	19,704,597

As at 30 June 2018

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	5,085,376	972,817	793,698	18,270,714	25,122,605
Less: Provision for Impairment	(1,035,753)	(390,683)	(366,541)	(11,243,527)	(13,036,504)
Net Balances	4,049,623	582,134	427,157	7,027,187	12,086,101
Refuse:					
Gross Balances	488,876	331,987	313,242	16,330,254	17,464,360
Less: Provision for Impairment	(209,456)	(266,002)	(259,162)	(12,101,691)	(12,836,311)
Net Balances	279,420	65,985	54,080	4,228,564	4,628,049

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	923,323	656,106	603,239	32,075,998	34,258,666
Less: Provision for Impairment	(401,419)	(450,081)	(428,073)	(22,543,422)	(23,822,995)
Net Balances	521,904	206,025	175,166	9,532,576	10,435,671
Water:					
Gross Balances	2,838,856	1,270,050	1,445,327	60,402,707	65,956,940
Less: Provision for Impairment	(577,672)	(705,845)	(764,169)	(34,227,923)	(36,275,610)
Net Balances	2,261,183	564,205	681,158	26,174,783	29,681,330
Town Commonage					
Gross Balances	33,616	33,616	35,946	3,401,016	3,504,194
Less: Provision for Impairment	(33,410)	(33,410)	(35,740)	(3,375,343)	(3,477,902)
Net Balances	206	206	206	25,672	26,292
Rental of municipal buildings					
Gross Balances	72,305	35,041	23,247	1,348,558	1,479,151
Less: Provision for Impairment	(33,285)	(21,612)	(20,433)	(1,327,460)	(1,402,790)
Net Balances	39,021	13,429	2,814	21,098	76,361
Other Receivables:					
Gross Balances	21,921	8,365	6,273	359,024	395,581
Less: Provision for Impairment	(5,091)	(4,598)	(4,172)	(304,623)	(318,485)
Net Balances	16,829	3,766	2,100	54,401	77,097

As at 30 June Receivables of R49 842 714 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	3,307,981.92	3,220,972.02	132,188,270.51	138,717,224.45
Less: Provision for Impairment	(1,872,231)	(1,878,291)	(85,123,989)	(88,874,511)
Net Balances	1,435,751	1,342,682	47,064,281	49,842,714

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2019				
<u>Current:</u>				
0 - 30 days	7,868,579	2,071,225	439,299	-
<u>Past Due:</u>				
31 - 60 Days	2,407,206	608,251	469,189	-
61 - 90 Days	2,129,632	341,047	330,966	-
+ 90 Days	81,566,788	5,479,874	4,166,182	-
Sub-total	93,972,204	8,500,397	5,405,635	-
Less: Provision for Impairment	(74,934,744)	(5,264,926)	-	-
Total Trade Receivables by Customer Classification	19,037,460	3,235,470	5,405,635	-
As at 30 June 2018				
<u>Current:</u>				
0 - 30 days	7,206,118	1,617,007	641,147	-
<u>Past Due:</u>				
31 - 60 Days	2,550,270	432,687	325,025	-
61 - 90 Days	2,576,499	362,791	281,682	-
+ 90 Days	125,421,600	4,098,858	2,667,813	-
Sub-total	137,754,487	6,511,343	3,915,667	-
Less: Provision for Impairment	(87,441,780)	(3,728,817)	-	-
Total Trade Receivables by Customer Classification	50,312,707	2,782,526	3,915,667	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	(91,170,597)	(82,844,882)
Impairment Losses recognised	10,970,927	(8,325,715)
Impairment Losses reversed	-	-
Balance at end of year	(80,199,670)	(91,170,597)

In determining the recoverability of Receivables, the Municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Included in the Municipality's Receivables balance are debtors with a carrying amount of R19 704 597 (2018: R49 842 714) which are past due at the reporting date for which the Municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits (see Note 13), which are not covering the total outstanding debt. The average age of these receivables is 80 days (2018: 155 days).

No provision has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impaired Receivables from Exchange Transactions

<u>Current:</u>		
0 - 30 Days	2,405,134	2,296,086
<u>Past Due:</u>		
31 - 60 Days	2,089,599	1,872,231
61 - 90 Days	1,813,789	1,878,291
+ 90 Days	73,891,149	85,123,989
Total	80,199,670	91,170,597

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Assessment Rates Debtors	45,756,720	(39,840,760)	5,915,960
Payments made in Advance	223,564	-	223,564
Sundry Deposits	984,651	-	984,651
Sundry Debtors	108,410,924	(97,003,713)	11,407,211
Total Receivables from Non-exchange Transactions	155,375,859	(136,844,473)	18,531,386
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2018			
Assessment Rates Debtors	41,291,465	(35,565,794)	5,725,672
Payments made in Advance	-	-	-
Sundry Deposits	980,695	-	980,695
Sundry Debtors	96,282,115	(88,900,965)	7,381,150
Total Receivables from Non-exchange Transactions	138,554,276	(124,466,759)	14,087,517

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity and cash deposits made to various fuel stations. Included in the total is an amount of R900 000 (2018: R900 000) in respect of a deposit paid to Eskom. The remaining R84 651 (2018: R80 695) is with regards to deposits held by fuel stations.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the Municipality. Included in sundry debtors is an amount of R107 123 178 for gross traffic fines outstanding as well R97 003 713 impairment on these fines.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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R

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R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the Municipality's banker, plus one percent per annum on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2019

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	1,231,365	636,714	561,124	43,327,516	45,756,720
Less: Provision for Impairment	(288,670)	(382,024)	(354,589)	(38,815,477)	(39,840,760)
Net Balances	942,695	254,690	206,535	4,512,039	5,915,959
Payments made in Advance:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-
Sundry Deposits:					
Gross Balances	-	-	-	984,651	984,651
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	984,651	984,651
Sundry Debtors:					
Gross Balances	-	-	-	108,410,924	108,410,924
Less: Provision for Impairment	-	-	-	(97,003,713)	(97,003,713)
Net Balances	-	-	-	11,407,211	11,407,211

As at 30 June Receivables of R17 365 126 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	636,714	561,124	152,723,091	153,920,929
Less: Provision for Impairment	(382,024)	(354,589)	(135,819,189)	(136,555,803)
Net Balances	254,690	206,535	16,903,901	17,365,126

As at 30 June 2018

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	1,239,454	661,701	563,681	38,826,630	41,291,465
Less: Provision for Impairment	(391,153)	(411,504)	(372,575)	(34,390,562)	(35,565,794)
Net Balances	848,301	250,197	191,106	4,436,068	5,725,672
Payments made in Advance:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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R

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R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sundry Deposits:					
Gross Balances	-	-	-	980,695	980,695
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	980,695	980,695
Sundry Debtors:					
Gross Balances	-	-	-	96,282,115	96,282,115
Less: Provision for Impairment	-	-	-	(88,900,965)	(88,900,965)
Net Balances	-	-	-	7,381,150	7,381,150

As at 30 June Receivables of R13 239 216 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	661,701	563,681	136,089,440	137,314,822
Less: Provision for Impairment	(411,504)	(372,575)	(123,291,527)	(124,075,606)
Net Balances	250,197	191,106	12,797,913	13,239,216

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2019				
<u>Current:</u>				
0 - 30 days	1,073,915	71,200	86,250	-
<u>Past Due:</u>				
31 - 60 Days	512,466	38,634	85,615	-
61 - 90 Days	443,511	32,002	85,611	-
+ 90 Days	38,899,586	1,254,718	3,173,212	-
Sub-total	40,929,478	1,396,554	3,430,688	-
Less: Provision for Impairment	(38,696,262)	(1,144,499)	-	-
Total Rates Debtors by Customer Classification	2,233,216	252,055	3,430,688	-

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2018				
<u>Current:</u>				
0 - 30 days	1,084,252	58,162	97,040	-
<u>Past Due:</u>				
31 - 60 Days	542,725	37,398	81,578	-
61 - 90 Days	449,509	32,628	81,544	-
+ 90 Days	35,239,201	958,401	2,629,028	-
Sub-total	37,315,686	1,086,589	2,889,190	-
Less: Provision for Impairment	(34,744,542)	(821,252)	-	-
Total Rates Debtors by Customer Classification	2,571,144	265,337	2,889,190	-

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	(124,466,759)	(106,617,506)
Impairment Losses recognised	(12,377,714)	(17,849,253)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Balance at end of year	(136,844,473)	(124,466,759)

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
<p>The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.</p> <p>In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the Municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.</p> <p>No Provision for Impairment has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Rates Assessment Deposits, which are not covering the total outstanding debt and vacant property respectively.</p> <p>Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.</p>		
5. CASH AND CASH EQUIVALENTS		
Current Investments	33,806,840	12,549,215
Bank Accounts	1,621,191	274,347
Bank Overdraft	(18,298,647)	(9,882,584)
Petty Cash	2,690	2,690
Total Bank, Cash and Cash Equivalents	17,132,073	2,943,668
<p>For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.</p>		
5.1 Current Investment Deposits		
Term Deposits	9,108,617	8,482,603
Call Deposits	24,698,224	180,018
Total Current Investment Deposits	33,806,840	8,662,620
<p>Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 1.60% to 5.55% per annum.</p> <p>Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 1.50% to 7.25% per annum.</p>		
Deposits attributable to Unspent Conditional Grants	29,782,064	3,477,942
Total Deposits attributable to Commitments of the Municipality	29,782,064	3,477,942
<p>Deposits of R29 782 064 (2018: R3 477 942) are ring-fenced and attributable to Unspent Conditional Grants.</p>		
5.2 Bank Accounts		
Cash in Bank	1,621,190.57	274,347
Bank Overdraft	(18,298,647)	(9,882,584)
Total Bank Accounts	(16,677,457)	(9,608,237)
<p>The Municipality has the following bank accounts:</p>		
Primary Bank Account		
ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081		
Cash book balance at beginning of year	(9,882,584)	(7,918,255)
Cash book balance at end of year	(18,298,647)	(9,882,584)
Bank statement balance at beginning of year	437,253	3,335,589
Bank statement balance at end of year	342,817	437,253

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
5. CASH AND CASH EQUIVALENTS (continued)		
Current Accounts		
<i>Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007</i>		
Cash book balance at beginning of year	224,487	130,028
Cash book balance at end of year	<u>253,098</u>	<u>224,487</u>
Bank statement balance at beginning of year	224,487	130,028
Bank statement balance at end of year	<u>253,098</u>	<u>224,487</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162</i>		
Cash book balance at beginning of year	30,263	(171,360)
Cash book balance at end of year	<u>691,405</u>	<u>30,263</u>
Bank statement balance at beginning of year	30,263	(117,732)
Bank statement balance at end of year	<u>691,405</u>	<u>30,263</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4081 497 012</i>		
Cash book balance at beginning of year	19,597	1,053,471
Cash book balance at end of year	<u>676,687</u>	<u>19,597</u>
Bank statement balance at beginning of year	19,597	1,043,787
Bank statement balance at end of year	<u>676,688</u>	<u>19,597</u>
Term Deposits		
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906</i>		
Cash book balance at beginning of year	8,463,785	9,593,735
Cash book balance at end of year	<u>9,088,794</u>	<u>8,463,785</u>
Bank statement balance at beginning of year	8,463,785	9,593,735
Bank statement balance at end of year	<u>9,088,794</u>	<u>8,463,785</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239</i>		
Cash book balance at beginning of year	18,817	16,927
Cash book balance at end of year	<u>19,822</u>	<u>18,817</u>
Bank statement balance at beginning of year	18,817	16,074
Bank statement balance at end of year	<u>19,822</u>	<u>18,817</u>
Call Deposits		
<i>First National Bank - De Aar Branch - Call Account Number 62338612105 / 808</i>		
Cash book balance at beginning of year	2,344	2,592
Cash book balance at end of year	<u>2,256</u>	<u>2,344</u>
Bank statement balance at beginning of year	2,344	2,487
Bank statement balance at end of year	<u>2,256</u>	<u>2,344</u>
<i>Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001</i>		
Cash book balance at beginning of year	144,054	42,634
Cash book balance at end of year	<u>151,042</u>	<u>144,054</u>
Bank statement balance at beginning of year	142,156	1,425,470
Bank statement balance at end of year	<u>149,143</u>	<u>142,156</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 388910356-002</i>		
Cash book balance at beginning of year	26,007	24,365
Cash book balance at end of year	<u>27,713</u>	<u>26,007</u>
Bank statement balance at beginning of year	26,007	1,035,740
Bank statement balance at end of year	<u>27,713</u>	<u>26,007</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 002</i>		
Cash book balance at beginning of year	50	50
Cash book balance at end of year	<u>50</u>	<u>50</u>
Bank statement balance at beginning of year	50	50
Bank statement balance at end of year	<u>50</u>	<u>50</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
5. CASH AND CASH EQUIVALENTS (continued)		
<i>First National Bank - De Aar Branch - Call Account Number 62630879221</i>		
Cash book balance at beginning of year	7,562	7,562
Cash book balance at end of year	<u>8,062</u>	<u>7,562</u>
Bank statement balance at beginning of year	7,562	7,452
Bank statement balance at end of year	<u>8,062</u>	<u>7,562</u>
<i>First National Bank - De Aar Branch - Call Account Number 62746296616</i>		
Cash book balance at beginning of year	76,278	-
Cash book balance at end of year	<u>80,924</u>	<u>76,278</u>
Bank statement balance at beginning of year	76,278	-
Bank statement balance at end of year	<u>80,924</u>	<u>76,278</u>
<i>First National Bank - De Aar Branch - Call Account Number 62755965583</i>		
Cash book balance at beginning of year	45,911	-
Cash book balance at end of year	<u>184,827</u>	<u>45,911</u>
Bank statement balance at beginning of year	45,911	-
Bank statement balance at end of year	<u>184,827</u>	<u>45,911</u>
<i>ABSA Bank Limited Call Deposit Account Number 9325381089</i>		
Cash book balance at beginning of year	3,764,405	-
Cash book balance at end of year	<u>24,243,350</u>	<u>3,764,405</u>
Bank statement balance at beginning of year	3,764,405	-
Bank statement balance at end of year	<u>24,243,350</u>	<u>3,764,405</u>
5.3 Cash and Cash Equivalents		
Cash Floats and Advances	2,690	2,690
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>2,690</u>	<u>2,690</u>
The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.		
The Municipality has provided Eskom Holdings Limited with a written guarantee, which have special conditions attached, to the value of R6 160 000.		
The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.		
6. OPERATING LEASE RECEIVABLES		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	12,015	12,015
Operating Lease Revenue recorded	-	-
Operating Lease Revenue effected	-	-
Total Operating Lease Receivables	<u>12,015</u>	<u>12,015</u>
Less: Amounts due for settlement within 12 months (Current Portion)	(4,542)	(4,542)
Total Operating Lease Receivables	<u>7,473</u>	<u>7,473</u>
6.1 Leasing Arrangements		
The Municipality as Lessor:		
Operating Leases relate to Property owned by the Municipality with lease terms of between 2 to 5 (2018: 2 to 5) years, with an option to extend.		
All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.		
6.2 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	4,542	4,542
2 to 5 years	7,473	7,473
More than 5 years	-	-
Total Operating Lease Arrangements	<u>12,015</u>	<u>12,015</u>
The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R0 (2018: decrease of R0) in current year income.		
The following restrictions have been imposed by the Municipality in terms of the lease agreements:		
(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises		
(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.		
(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

7. PROPERTY, PLANT AND EQUIPMENT

30 June 2019

Reconciliation of Carrying Value

Description	Buildings	Land	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R		R	R	R	R	R	R	R
Carrying values at 1 July 2018	93,785,924	13,837,216	653,617,003	1,058,595	2,387,836	2,469,152	5,169,446	3,868,506	776,194,540
Cost	205,557,572	13,837,216	1,953,917,961	3,235,769	8,270,051	7,740,903	9,037,792	10,698,272	2,212,295,536
- Completed Assets	205,322,572	13,837,216	1,901,261,046	3,235,769	8,270,051	7,740,903	9,037,792	10,698,272	2,159,403,621
- Under Construction	235,000	-	52,656,915	-	-	-	-	-	52,891,915
Accumulated Impairment Losses	-	-	-	(20,490)	(52,046)	(22,599)	(196,491)	-	(291,626)
Accumulated Depreciation	(111,771,648)	-	(1,300,300,959)	(2,156,684)	(5,830,170)	(5,249,152)	(3,671,856)	(6,829,766)	(1,435,810,234)
Acquisitions	-	-	3,833,277	38,326	154,771	153,909	-	594,355	4,774,638
Capital under Construction - Additions	-	-	18,447,349	-	-	-	-	-	18,447,349
Depreciation	(5,457,334)	-	(42,440,369)	(335,250)	(386,386)	(420,842)	(226,587)	(3,422,674)	(52,689,442)
Transfer to Investment Property	-	-	-	-	-	-	-	-	-
Carrying value of Disposals	(1,589)	-	(373,503)	(56,162)	(252,730)	(86,762)	(39,799)	-	(810,544)
- Cost	(120,082)	-	(10,341,221)	(313,784)	(1,185,720)	(414,650)	(75,250)	(1,156,171)	(13,606,878)
- Accumulated Impairment Losses	-	-	-	-	533	541	-	-	1,075
- Accumulated Depreciation	118,493	-	9,967,718	257,622	932,457	327,346	35,451	1,156,171	12,795,259
Impairment Losses	(1,484,884)	-	-	(9,290)	(1,224)	(2,353)	-	-	(1,497,751)
Carrying values at 30 June 2019	86,842,117	13,837,216	633,083,758	696,220	1,902,266	2,113,104	4,903,059	1,040,187	744,418,790
Cost	205,437,489	13,837,216	1,965,857,367	2,960,311	7,239,102	7,480,162	8,962,543	10,136,456	2,221,910,646
- Completed Assets	205,202,489	13,837,216	1,894,753,102	2,960,311	7,239,102	7,480,162	8,962,543	10,136,456	2,150,571,381
- Under Construction	235,000	-	71,104,265	-	-	-	-	-	71,339,265
Accumulated Impairment Losses	(1,484,884)	-	-	(29,780)	(52,737)	(24,411)	(196,491)	-	(1,788,303)
Accumulated Depreciation:	(117,110,488)	-	(1,332,773,609)	(2,234,311)	(5,284,099)	(5,342,648)	(3,862,993)	(9,096,269)	(1,475,704,417)

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2018

Reconciliation of Carrying Value

Description	Buildings	Land	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
Carrying values at 1 July 2017	99,325,774	13,837,216	675,168,021	549,463	2,690,640	2,868,190	4,827,341	7,387,426	806,654,071
Cost	205,567,202	13,837,216	1,923,228,777	2,475,243	8,333,194	7,745,364	8,953,993	10,653,629	2,180,794,619
- Completed Assets	205,332,202	13,837,216	1,901,261,046	2,475,243	8,333,194	7,745,364	8,953,993	10,653,629	2,158,591,888
- Under Construction	235,000	-	21,967,731	-	-	-	-	-	22,202,731
Accumulated Impairment Losses	-	-	-	(15,308)	(47,864)	(18,877)	(553,676)	-	(635,725)
Accumulated Depreciation	(106,241,427)	-	(1,248,060,756)	(1,910,472)	(5,594,691)	(4,858,298)	(3,572,977)	(3,266,203)	(1,373,504,823)
Acquisitions	-	-	-	778,891	158,598	36,025	604,706	44,643	1,622,863
Capital under Construction - Additions	-	-	30,689,184	-	-	-	-	-	30,689,184
Depreciation	(5,530,221)	-	(52,240,203)	(255,371)	(421,405)	(423,975)	(262,601)	(3,563,563)	(62,697,338)
Carrying value of Disposals	(9,630)	-	-	(9,205)	(34,843)	(7,185)	-	-	(60,863)
- Cost	(9,630)	-	-	(18,365)	(221,741)	(40,486)	(520,907)	-	(811,130)
- Accumulated Impairment Losses	-	-	-	-	973	181	357,185	-	358,338
- Accumulated Depreciation	-	-	-	9,159	185,926	33,121	163,722	-	391,928
Transfer to non-current assets	-	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	(5,183)	(5,155)	(3,903)	-	-	(14,240)
Carrying values at 30 June 2018	93,785,924	13,837,216	653,617,003	1,058,595	2,387,836	2,469,152	5,169,446	3,868,506	776,194,540
Cost	205,557,572	13,837,216	1,953,917,961	3,235,769	8,270,051	7,740,903	9,037,792	10,698,272	2,212,295,536
- Completed Assets	205,322,572	13,837,216	1,901,261,046	3,235,769	8,270,051	7,740,903	9,037,792	10,698,272	2,159,403,621
- Under Construction	235,000	-	52,656,915	-	-	-	-	-	52,891,915
Accumulated Impairment Losses	-	-	-	(20,490)	(52,046)	(22,599)	(196,491)	-	(291,626)
Accumulated Depreciation:	(111,771,648)	-	(1,300,300,959)	(2,156,684)	(5,830,170)	(5,249,152)	(3,671,856)	(6,829,766)	(1,435,810,234)

Refer to Appendices B, C and E (4) for more detail on Property, Plant and Equipment, including those in the course of construction.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

7.2 Work-in Progress

30 June 2019	Buildings	Roads	Electricity	Water	Sewerage	Total
Opening balance at 1 July	235,000	13,262,236	-	5,558,377	5,913,973	24,969,586
Additions	-	9,783,927	3,740,775	1,399,488	7,356,419	22,280,608
Transferred to Completed Projects	-	-1,850,698	-1,982,580	-	-	-3,833,277
Closing balance at 30 June	<u>235,000</u>	<u>21,195,465</u>	<u>1,758,195</u>	<u>6,957,865</u>	<u>13,270,392</u>	<u>43,416,917</u>
30 June 2018	Buildings	Roads	Electricity	Water	Sewerage	Total
Opening balance at 1 July	235,000	13,159,695	5,829,646	734,279	2,244,113	22,202,731
Additions	-	13,028,779	6,922,333	4,824,098	5,913,973	30,689,183
Transferred to Completed Projects	-	-12,926,237	-12,751,979	-	-2,244,113	-27,922,329
Closing balance at 30 June	<u>235,000</u>	<u>13,262,236</u>	<u>-</u>	<u>5,558,377</u>	<u>5,913,973</u>	<u>24,969,586</u>

Projects taking a significant amount of time to complete:

De Aar Sport Facility: During the 2015 financial year, the municipality received funding for the construction of a sport facility (athletics field). The municipality performed a feasibility study and spent R235 000 on the study. No further costs have been incurred on the project and the remaining funds have been included as Unspent Conditional Grants.

Please refer to Note 17: Unspent Conditional Grants for the unspent portion withheld.

No retention funds are applicable to the project.

Roads and Storm Water Project: During the 2016 financial year, the municipality embarked on the upgrading of roads and storm water within various towns within the municipal boundaries. Due to contractors not performing, the project is taking longer than expected.

The projects are funded by the MIG and all unspent portions have been disclosed in Note 17: Unspent Conditional Grants.

Projectes halted during current or previous financial year:

None were halted during the current or previous financial year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
7. PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.2 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.		
7.3 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
7.4 Assets pledged as security		
The Municipality did not pledge any of its assets as security.		
7.5 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R1 497 751 (2018: reversal R344 091) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 36.		
The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses.		
The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has only been partially impaired as it still in use.		
7.6 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Intangible Assets	(418,772)	-
Land and Buildings	(70,021)	-
Infrastructure Assets	(13,156,562)	(15,283)
Other Assets	(788,213)	(1,181,684)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	<u>(14,433,568)</u>	<u>(1,196,967)</u>
The change in estimates will result in a decrease of R14 433 568 (2018: R1 196 967) in the depreciation expense for the Municipality over the next three financial years.		
7.7 Land and Buildings carried at Fair Value		
The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
8. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation	<u>101,890</u>	<u>136,551</u>
The movement in Intangible Assets is reconciled as follows:		
Carrying values at 1 July	136,551	61,377
Cost	2,170,042	2,021,431
Accumulated Amortisation	(2,033,491)	(1,960,055)
Acquisitions	33,110	148,610
Amortisation	(67,770)	(73,436)
Carrying values at 30 June	101,890	136,551
Cost	2,203,152	2,170,042
Accumulated Amortisation	(2,101,261)	(2,033,491)
The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 35).		
All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.		
No restrictions apply to any of the Intangible Assets of the Municipality.		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019
R

2018
R

8. INTANGIBLE ASSETS (continued)

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets

The Municipality has a Financial Accounting System, Sebata, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R29 997 (2018: R53 542).

8.2 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

9. INVESTMENT PROPERTY

At Fair Value	74,115,109	76,955,109
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	76,955,109	78,577,109
Fair Value	76,955,109	78,577,109
Accumulated Impairment Losses	-	-
Net Gains / (Losses) from Fair Value Adjustments	-	-
Disposals during the Year	(2,840,000)	(1,622,000)
Carrying values at 30 June	74,115,109	76,955,109
Fair Value	74,115,109	76,955,109
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	74,115,109	76,955,109

In the 2017 financial year, the municipality revisited all property carried as held for sale. This was done to ensure the intention of the properties are still relevant. After this exercise was completed, the municipality decided to transfer relevant properties from inventory to Investment Property.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	-	-
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the Municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the Municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

9.1 Investment Property carried at Fair Value

The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties and the professional judgement of the valuer from time to time when the circumstances requires.

9.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the Municipality at the reporting

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
10. HERITAGE ASSETS		
At Cost less Accumulated Impairment Losses	<u>6,959,273</u>	<u>6,959,273</u>

The movement in Heritage Assets is reconciled as follows:

	Historical Sites	Cultural Buildings	Historical Assets	Total
Carrying values at 1 July 2018	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
Carrying values at 30 June 2019	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment Losses	-	-	-	-
	Historical Sites	Cultural Buildings	Historical Assets	Total
Carrying values at 1 July 2017	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
Carrying values at 30 June 2018	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment Losses	-	-	-	-

All of the Municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Heritage Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the Municipality at the reporting date.

11. NON-CURRENT INVESTMENTS

Listed		
Listed Shares	<u>29,209</u>	<u>28,054</u>
Total Investments		
All Investments	29,209	28,054
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	<u>29,209</u>	<u>28,054</u>
Market valuation of Listed Investments		
Listed Shares	<u>29,209</u>	<u>28,054</u>

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

The Management of the Municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
12. LONG-TERM RECEIVABLES		
Other Loans	10	1,601
Less: Provision for Impairment	-	-
	<u>10</u>	<u>1,601</u>
Less: Current Portion transferred to Current Receivables	-	-
Other Loans	<u>-</u>	<u>-</u>
Total Long-term Receivables	<u>10</u>	<u>1,601</u>

The Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the Municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

The management of the Municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

13. CONSUMER DEPOSITS

Electricity and Water	2,414,796	2,345,572
Total Consumer Deposits	<u>2,414,796</u>	<u>2,345,572</u>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
14. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	9,045,648	12,010,772
Eskom Creditor	55,806,988	19,049,401
Payments Received in Advance	6,212,787	5,403,724
Retentions	2,417,548	2,366,091
Staff Bonuses	2,640,224	2,340,968
Sundry Deposits	355,570	337,652
Other Creditors	4,373,780	18,451,627
Department of Housing	100,581	42,859
Salary Control Account	(4,473)	(4,459)
Accrued Leave	7,475,297	6,747,346
Total Payables	88,423,951	66,745,981

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The Municipality did default on payment of its Creditors. However, other than the payment arrangement entered with Eskom, no terms for payment have been re-negotiated by the Municipality.

The significant increase in creditors from exchange transactions is attributable to the increase in the amount owed to Eskom. The decrease in other creditors is a result in the municipality honouring the payment arrangement held with Eskom.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments Received in Advance	3,334,249	3,588,027
Total Payables	3,334,249	3,588,027

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government	29,782,064	3,477,942
National Government Grants	25,255,036	0
Provincial Government Grants	4,487,840	3,438,754
Local Government Grants	39,188	39,188
16.2 Other Conditional Receipts	-	-
Public Contributions	-	-
Total Conditional Grants and Receipts	29,782,064	3,477,942

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 27 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

17. VAT Payable/(Receivable)

VAT Payable/(Receivable)	(4,650,787)	2,636,568
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
18. LONG-TERM LIABILITIES		
Annuity Loans	(0)	(0)
Finance Lease Liability	1,531,184	4,744,676
Sub-total	1,531,183	4,744,676
Less: Current Portion transferred to Current Liabilities	(240,845)	(3,733,833)
Annuity Loans	-	-
Finance Lease Liability	(240,845)	(3,733,833)
Total Long-term Liabilities (Neither past due, nor impaired)	1,290,339	1,010,843

18.1 Summary of Arrangements

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

18.2 Breach of Loan Agreement

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.

19. EMPLOYEE BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	23,906,384	32,259,244
Long Service Awards Liability	4,138,973	3,623,169
Total Employee Benefit Liabilities	28,045,357	35,882,413
19.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	33,549,662	33,804,539
Contributions to Provision	1,755,368	1,761,677
Increase due to Discounting	3,147,073	3,213,578
Expenditure incurred	(1,290,418)	(1,172,333)
Actuarial (Gains) /Losses	(11,983,267)	(4,057,799)
Balance at end of Year	25,178,418	33,549,662
Transfer to Current Employee benefits	(1,272,034)	(1,290,418)
Total Post-retirement Health Care Benefits Liability	23,906,384	32,259,244

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R			
19. EMPLOYEE BENEFIT LIABILITIES (continued)					
The members of the Post-employment Health Care Benefit Plan are made up as follows:					
In-service Members (Employees)	45	44			
In-service Non-members (Employees)	283	275			
Continuation Members (Retirees, widowers and orphans)	28	29			
Total Members	356	348			
The liability in respect of past service has been estimated as follows:					
In-service Members	10,496,383	19,165,935			
Continuation Members	14,682,035	14,383,727			
Total Liability	25,178,418	33,549,662			
The Municipality makes monthly contributions for health care arrangements to the following Medical Aid					
- Bonitas					
- Keyhealth					
- LA Health					
- Samwumed					
The Current-service Cost for the year ending 30 June 2019 is estimated to be R1 755 368, whereas the cost for the ensuing year is estimated to be R997 749					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	9.23%	9.56%			
Health Care Cost Inflation Rate	6.74%	7.38%			
Net Effective Discount Rate	2.33%	2.03%			
Expected Retirement Age - Females	62	59			
Expected Retirement Age - Males	62	63			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	33,549,662	33,804,539			
Current service costs	1,755,368	1,761,677			
Interest cost	3,147,073	3,213,578			
Benefits paid	(1,290,418)	(1,172,333)			
Actuarial losses / (gains)	(11,983,267)	(4,057,799)			
Total Recognised Benefit Liability	25,178,418	33,549,662			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	25,178,418	33,549,662			
Total Benefit Liability	25,178,418	33,549,662			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	1,755,368	1,761,677			
Interest cost	3,147,073	3,213,578			
Expenditure incurred	(1,290,418)	(1,172,333)			
Actuarial losses / (gains)	(11,983,267)	(4,057,799)			
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	(8,371,244)	(254,877)			
The history of experienced adjustments is as follows:					
	2019 R	2018 R	2017 R	2016 R	2015 R
Present Value of Defined Benefit Obligation	25,178,418	33,549,662	33,804,539	37,181,976	34,976,976
Deficit	33,549,662	33,804,539	37,181,976	34,976,976	34,976,976
Experienced adjustments on Plan Liabilities	37,161,685	37,607,461	41,571,006	39,087,630	36,064,964

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
19. EMPLOYEE BENEFIT LIABILITIES (continued)		
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	5,828,400	5,939,500
Effect on the long service award liability	28,861,000	38,888,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	4,161,800	4,206,700
Effect on the long service award liability	22,167,000	29,200,000
The Municipality expects to make a contribution of R1 290 418 (2018: R1 755 368) to the Defined Benefit Plans during the next financial year.		
Refer to Note 56 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.		
19.2 Long Service Awards Liability		
Balance at beginning of Year	4,371,640	3,904,046
Contributions to Provision	413,229	392,180
Increase due to Discounting	336,015	311,594
Expenditure incurred	(748,471)	(338,314)
Actuarial (Gains) /Losses	329,993	102,134
Balance at end of Year	<u>4,702,406</u>	<u>4,371,640</u>
Transfer to Current Employee benefits	(563,433)	(748,471)
Total Long Service Awards Liability	<u>4,138,973</u>	<u>3,623,169</u>
The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
At year end, 328 (2018: 319) employees were eligible for Long-services Awards.		
The Current-service Cost for the year ending 30 June 2019 is estimated to be R413 229 (2018: R392 180), whereas the cost for the ensuing year is estimated to be R509 917		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.08%	8.34%
Cost Inflation Rate	5.51%	6.15%
Net Effective Discount Rate	2.44%	2.05%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	4,371,640	3,904,046
Current service costs	413,229	392,180
Interest cost	336,015	311,594
Benefits paid	(748,471)	(338,314)
Actuarial losses / (gains)	329,993	102,134
Total Recognised Benefit Liability	<u>4,702,406</u>	<u>4,371,640</u>
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4,702,406	4,371,640
Total Benefit Liability	<u>4,702,406</u>	<u>4,371,640</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
19. EMPLOYEE BENEFIT LIABILITIES (continued)		
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	413,229	392,180
Interest cost	336,015	311,594
Benefits paid	(748,471)	(338,314)
Actuarial losses / (gains)	329,993	102,134
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	330,766	467,594

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	800,200	750,900
Effect on the long service award liability	4,985,000	4,608,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	703,000	661,100
Effect on the long service award liability	4,444,000	4,155,000

The Municipality expects to make a contribution of R748 471 (2018: R338 314) to the Defined Benefit Plans during the next financial year.

20. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Land-fill Sites	55,674,168	46,936,726
Total Non-current Provisions	55,674,168	46,936,726
The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:		
Balance at beginning of year	46,936,726	42,731,907
Contributions to provision	8,737,442	4,204,820
	55,674,168	46,936,726
Transfer to current provisions	-	-
Balance at end of year	55,674,168	46,936,726

20.1 Rehabilitation of Land-fill Sites

The Municipality will incur rehabilitation cost on its three dumping/landfill sites in the periods 2029/30 for Britstown (remaining useful life 13 years), 2026/27 for Hanover (remaining useful life 11 years) and 2026/27 for De Aar (remaining useful life 10 years). Provision has been made for the net present value of this cost. As at 30 June 2018 there were no foreseeable future events that may have an effect on below dates and or values.

	Proposed Rehabilitation	Total area Size (m ²)	Unit cost (R/m ²)		
Britstown Landfill	2029/2030	11623.00	510.04	3,053,469	2,471,878
De Aar Landfill	2026/2027	183214.00	413.16	49,870,370	42,105,743
Hanover Landfill	2026/2027	8139.00	545.69	2,750,330	2,359,106
				55,674,168	46,936,726

21. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	2,252,793	2,252,793
Accumulated Surplus / (Deficit) due to the results of Operations	680,935,983	764,133,498
Total Accumulated Surplus	683,188,776	766,386,291

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

			2019 R	2018 R
22. PROPERTY RATES				
	Property Valuations		Actual Levies	
	2019	2018	2019	2018
	R000's	R000's		
Residential	4,058,947,000	3,975,923,000	23,239,821	22,338,443
Commercial	277,907,000	275,714,000	4,607,214	4,375,183
State	310,591,000	310,591,000	5,344,156	5,076,515
Total Property Rates	4,647,445,000	4,562,228,000	33,191,190	31,790,141
Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2017.				
Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.				
A rebate of 100.00% (2018: 100.00%) was allowed on residential properties whose market value is R 28 000 and less and agriculture properties are levied as per Government Gazette of 2009.				
Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.				
23. FINES				
Penalties for Consumers			449,283	168,605
Traffic Fines			15,326,154	9,033,276
Total Fines			15,775,437	9,201,881
24. PUBLIC CONTRIBUTIONS				
Conditional			-	-
Unconditional			-	200,000
Total Public Contributions			-	200,000
During the 2018 Financial year the municipality received a public contribution towards funding the Mayoral Cup				
25. GOVERNMENT GRANTS AND SUBSIDIES				
National Equitable Share			40,793,000	37,094,000
Provincial: Housing Accreditation			680,000	930,000
Provincial: Sports, Arts and Culture (Library Grant)			693,000	885,543
Operational Grants			42,166,000	38,909,543
Conditional Grants			26,484,878	36,568,278
National: EPWP			1,000,000	1,086,000
National: FMG			1,700,000	1,700,000
National: MIG			9,724,553	14,055,711
National: Integrated National Electrification Programme (INEP)			4,000,000	7,500,000
National: Water Services Infrastructure Grant			8,450,914	12,226,567
National: Regional Bulk Infrastructure Grant (RBIG)			1,609,411	-
Total Government Grants and Subsidies			68,650,878	75,477,821
Government Grants and Subsidies:				
Conditional Grants - Capital			22,358,722	30,017,289
Conditional Grants - Operational			4,126,156	6,550,989
Unconditional Grants - Capital			-	-
Unconditional Grants - Operational			42,166,000	38,909,543
Total Government Grants and Subsidies			68,650,878	75,477,821

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
25. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	46,292,156	45,460,532
Conditions met - transferred to Revenue: Capital Expenses	22,358,722	30,017,289
Total Transfers	68,650,878	75,477,821
Operational Grants:		
25.1 National: Equitable Share	40,793,000	37,094,000
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R148 (2018: R148), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.		
25.2 Provincial: Sports, Arts and Culture (Library Grant)		
Balance unspent at beginning of year	-	-
Current year receipts	693,000	885,543
Conditions met - transferred to Operating Revenue	(693,000)	(885,543)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	-	-
This grant was allocated for the upgrading of library equipment and operating expenses.		
25.3 Provincial: Housing Accreditation		
Balance unspent at beginning of year	-	-
Current year receipts	680,000	930,000
Conditions met - transferred to Operating Revenue	(680,000)	(930,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	-	-
This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department as well as other operational expenses.		
Conditional Grants:		
25.4 National: Expanded Public Works Programme		
Balance unspent at beginning of year	(0)	389,953
Current year receipts	1,000,000	696,047
Conditions met - transferred to Operating Revenue	-	(1,086,000)
Conditions met - transferred to Capital Revenue	(1,000,000)	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	(0)	(0)
This grant was used for the upgrading of Roads facilities. At yearend, all conditions were met, resulting in no unspent amount being disclosed.		
25.5 National: Financial Management Grant (FMG)		
Balance unspent at beginning of year	-	-
Current year receipts	1,700,000	1,700,000
Conditions met - transferred to Operating Revenue	(1,700,000)	(1,700,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
25. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
25.6 National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	1,763,711
Current year receipts	9,900,000	12,292,000
Conditions met - transferred to Operating Revenue	(600,000)	(1,355,442)
Conditions met - transferred to Capital Revenue	(9,124,553)	(12,700,269)
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	175,447	-

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix B).

At yearend, not all conditions were met in respect to the upgrading of infrastructure. This resulted in an unspent portion being recognised at yearend.

25.7 Provincial: Department of Water Affairs

Balance unspent at beginning of year	15,621	15,621
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	15,621	15,621

This grant was used to cover the cost relating to new water meters and the installation thereof. Not all conditions attached to the grant were met. An unspent portion has been recognised.

25.8 Provincial: Sports, Arts and Culture (Phundahlwazi Upgrade)

Balance unspent at beginning of year	150,000	150,000
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	150,000	150,000

This grant was allocated for the upgrade of the Phundahlwazi Library in accordance with the submitted business plan. Not all conditions were met at yearend, causing an unspent portion to be recognised.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
25. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
25.9 Provincial: Department of Education		
Balance unspent at beginning of year	1,232,100	1,232,100
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	1,232,100	1,232,100
At yearend, not all conditions were met in respect to the construction of the athletics field as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.		
25.10 Provincial: Department of Roads		
Balance unspent at beginning of year	267,600	267,600
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT portion released	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	267,600	267,600
This grant was allocated for the construction and upgrading of roads within the Nonzwakazi area. At yearend, not all conditions were met in respect to the revitalization of the roads as all funds received were not spent. This resulted in the unspent portion being recognised at yearend.		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
25. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
25.11 National: Integrated National Electrification Programme (INEP)		
Balance unspent at beginning of year	-	-
Current year receipts	4,000,000	7,500,000
Conditions met - transferred to Revenue: Operating Expenses	(521,738)	(921,052)
Conditions met - transferred to Revenue: Capital Expenses	(3,478,262)	(6,578,948)
Conditions met - transferred to Revenue: VAT portion released	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	-	-

This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries. All conditions attached to the grant were met. No funds have been withheld.

25.12 Other Local Government

Balance unspent at beginning of year	39,188	39,188
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	39,188	39,188

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. At year end, not all conditions were met, resulting in the unspent portion being recognised.

25.13 National: Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	-
Current year receipts	26,689,000	-
Conditions met - transferred to Operating Revenue	(209,923)	-
Conditions met - transferred to Capital Revenue	(1,399,488)	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	25,079,589	-

To develop new, refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to develop new, refurbish, upgrade and replace ageing waste water infrastructure of regional significance; to pilot regional Water Conservation and Water Demand Management projects or facilitate and contribute to the implementation of local Water Conservation and Water Demand Management projects that will directly impact on bulk infrastructure requirements. At year end, not all funds were spent, resulting in an unspent portion being recognised.

25.14 National: Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	1,773,433	-
Current year receipts	9,500,000	14,000,000
Conditions met - transferred to Operating Revenue	(1,094,495)	(1,488,496)
Conditions met - transferred to Capital Revenue	(7,356,419)	(10,738,071)
Conditions met - transferred to Other Revenue (Own Income)	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	2,822,519	1,773,433

The Water Services Infrastructure Grant was used for rehabilitation of boreholes as well as for sewer projects. At the end of the year not all funds were utilised, resulting in an unspent portion being recognised.

25.15 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
26. SERVICE CHARGES		
Sale of Electricity	75,120,848	73,251,139
Sale of Water	25,543,341	25,951,316
Refuse Removal	6,420,796	6,272,700
Sewerage and Sanitation Charges	12,299,734	11,864,720
Other Service Charges	486,628	484,346
Total Service Charges	119,871,348	117,824,221
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
27. LICENSES AND PERMITS		
DTSL License income	-	-
Other	1,280,739	1,630,387
Total Licenses and permits	1,280,739	1,630,387
28. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Halls	116,258	113,675
Rental Revenue from Land	694,048	692,081
Rental Revenue from Other Facilities	31,711	45,764
Total Rental of Facilities and Equipment	842,017	851,520
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
29. INTEREST EARNED		
Property Rates:		
Interest / Penalties Raised	561,272	388,442
	561,272	388,442
External Investments:		
Bank Account	192,525	219,554
Investments	1,762,224	1,248,639
Other Deposits	-	-
	1,954,749	1,468,193
Outstanding Debtors:		
Long-term Debtors	4,014	2,075
Outstanding Billing Debtors	1,502,313	1,090,782
	1,506,328	1,092,857
Total Interest Earned	4,022,348	2,949,492
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	1,954,749	1,468,193
Loans and Receivables	2,067,599	1,481,299
	4,022,348	2,949,492
Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 43.		
30. OTHER REVENUE		
Building Plan Fees	152,131	87,117
Grave Fees	350,577	393,790
Sundries Levies	283,406	1,033,964
Bad Debts Recovered	-	76,560
Reconnection Fees	49,517	22,549
Tender Documents	29,500	-
Other Non-material Income	582,742	153,481
Stock take adjustments	78,849	-
Total Other Revenue	1,526,723	1,767,461
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
31. PROFIT (LOSS) ON SALE OF LAND		
Proceeds on Sale of Land	(2,841,589)	(1,595,030)
Cost of Sale of Land	-	-
Total Profit on Sale of Land	(2,841,589)	(1,595,030)
32. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	60,594,288	56,613,991
Basic Salaries and Wages	54,427,185	49,389,396
Long Service Awards	654,243	574,114
Leave Encashed	1,061,828	2,047,291
Performance Bonuses	196,591	569,358
Service Bonuses	4,254,442	4,033,832
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	11,760,714	10,842,258
Group Life	46,307	47,943
Medical	1,527,380	1,485,558
Pension	8,937,561	8,158,283
Industrial Council Levy	35,018	32,975
Skills Development Levy	690,964	618,046
UIF	523,483	499,453
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4,947,451	4,736,026
Allowances	3,419,343	3,086,949
Pensioners Allowances	1,528,107	1,649,077
Housing Benefits and Allowances	443,211	632,733
Overtime Payments	4,367,524	3,877,283
Defined Benefit Plan Expense:	(8,371,244)	(254,877)
Current Service Cost	1,755,368	1,761,677
Interest Cost	3,147,073	3,213,578
Net Actuarial (gains)/losses recognised	(1,290,418)	(1,172,333)
Vested Past Service Cost	(11,983,267)	(4,057,799)
Long-service Award Liability Expense:	330,766	467,594
Current Service Cost	413,229	392,180
Interest Cost	336,015	311,594
Net Actuarial (gains)/losses recognised	(748,471)	(338,314)
Vested Past Service Cost	329,993	102,134
Total Employee Related Costs	74,072,709	76,915,008
No advances were made to employees.		
Included in Employee Related Costs is an amount of R8 158 283 (2018: R8 305 802) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.		
Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager		
Annual Remuneration	803,623	1,165,804
Service Bonus	66,763	76,770
Performance Bonus	42,878	189,840
Car and Other Allowances	401,787	425,644
Company Contributions to UIF, Medical and Pension Funds	158,755	175,041
Total	1,473,807	2,033,099
Remuneration of the Chief Financial Officer		
Annual Remuneration	525,732	961,673
Service Bonus	43,811	127,555
Performance Bonus	23,787	174,164
Car and Other Allowances	430,826	241,033
Company Contributions to UIF, Medical and Pension Funds	50,010	116,846
Total	1,074,166	1,621,271
Remuneration of the Director: Corporate Services		
Annual Remuneration	566,557	674,635
Service Bonus	40,571	36,866
Performance Bonus	-	119,341
Car and Other Allowances	248,765	174,922
Company Contributions to UIF, Medical and Pension Funds	118,098	122,528
Total	973,991	1,128,292

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
32. EMPLOYEE RELATED COSTS (continued)		
<i>Remuneration of the Director: Community and Development Services</i>		
Annual Remuneration	582,598	568,999
Service Bonus	46,412	43,250
Performance Bonus	77,849	-
Car and Other Allowances	284,274	215,704
Company Contributions to UIF, Medical and Pension Funds	162,879	159,341
Total	1,154,012	987,294
<i>Remuneration of the Director: Infrastructure and Housing Services</i>		
Annual Remuneration	783,153	729,057
Service Bonus	60,755	60,755
Performance Bonus	52,076	86,013
Car and Other Allowances	163,010	154,585
Company Contributions to UIF, Medical and Pension Funds	152,587	142,621
Total	1,211,580	1,173,031
No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.		
33. REMUNERATION OF COUNCILLORS		
Mayor	581,298	795,671
Speaker	465,038	645,781
Councillors	2,606,875	2,519,109
Company Contributions to UIF, Medical and Pension Funds	44,029	31,252
Other Allowances (Cellular Phones, Housing, Transport, etc)	1,804,877	1,342,849
Total Councillors' Remuneration	5,502,117	5,334,661
Remuneration of Councillors:		
<i>In-kind Benefits</i>		
Councillors may utilise official Council transportation when engaged in official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
34. COLLECTION COSTS		
Commission Paid	-	3,304
Total Collection Costs	-	3,304
35. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	52,689,442	62,696,476
Amortisation: Intangible Assets	67,770	73,436
Total Depreciation and Amortisation	52,757,212	62,769,912
36. IMPAIRMENT LOSSES		
<i>36.1 Impairment Losses on Fixed Assets</i>		
Impairment Losses Recognised:	1,497,751	(344,099)
Property, Plant and Equipment	1,497,751	(344,099)
Intangible Assets	-	-
	1,497,751	(344,099)
<i>36.2 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	61,401,563	25,375,953
Receivables from Exchange Transactions	43,956,909	7,526,699
Receivables from Non-exchange Transactions	17,444,654	17,849,254
	61,401,563	25,375,953
Total Impairment Losses	62,899,314	25,031,854

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
37. REPAIRS AND MAINTENANCE		
Materials	9,288,620	10,670,883
Labour	3,200,470	1,580,606
Total Repairs and Maintenance	<u>12,489,090</u>	<u>12,251,490</u>
38. FINANCE COSTS		
Bank Overdraft	20,636	50,676
Finance Leases	540,776	1,095,005
Overdue Creditors	4,956,980	2,856,799
Landfill Provision	8,737,442	4,204,820
Total Interest Paid on External Borrowings	<u>14,255,835</u>	<u>8,207,300</u>
The weighted average capitalisation rate on funds borrowed generally is 0.00% per annum (2018: 0.00% per annum).		
39. BULK PURCHASES		
Electricity	60,071,589	57,395,360
Water	2,634,043	2,568,515
Total Bulk Purchases	<u>62,705,633</u>	<u>59,963,876</u>
Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the Municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from various sources.		
40. CONTRACTED SERVICES		
Professional Fees	4,172,403	2,477,511
Security Services	2,876,000	2,336,749
Pre-Paid Commission	2,471,013	2,484,848
Total Contracted Services	<u>9,519,416</u>	<u>7,299,107</u>
41. GRANTS AND SUBSIDIES PAID		
Other Grants and Subsidies Paid	410,450	394,212
Total Grants and Subsidies	<u>410,450</u>	<u>394,212</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
42. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	192,418	116,747
Assessment Rates and Municipal Charges	7,511,711	6,512,505
Audit Fees	3,372,478	3,151,741
Bank Charges	651,562	805,168
Branding of the Municipality	32,492	6,133
Cleaning Materials	232,193	153,893
Conference Fees	126,903	19,842
Driving License Fees	118,782	191,672
Electricity Rural Water Pumps	2,077,532	1,913,868
Entertainment	91,859	136,011
Festivals	10,100	184,200
Fuel and Oil	4,399,818	3,174,008
Grave Excavations	267,305	110,180
HR Employee Wellness	3,002,244	1,029,703
Insurance	1,040,326	903,229
Internal Audit	160,071	31,679
Legal Costs	647,819	206,367
Levies: SALGA	804,229	716,112
License Fees and Subscriptions	126,145	364,730
Lost due to theft	-	137,829
Motor Vehicle Expenses	253,659	97,630
Printing and Stationery	956,074	1,043,495
Protective Clothing	240,013	137,940
Sundry Expenses	81,179	32,782
Strategic Planning Expenses	91,731	75,654
Telephone Cost	1,653,362	1,879,007
Training Costs	(4,360)	50,412
Travelling and Subsistence	1,756,502	1,583,741
Water	139,532	124,406
Youth Development Programme	63,370	10,690
Total General Expenses	30,097,051	24,901,377

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

43. OTHER GAINS AND LOSSES

Change in Fair Value of Financial Assets designated as at FVTPL	1,155	2,725
Change in Fair Value of Investment Property	-	-
Net Other Gains and Losses	1,155	2,725

No other gains or losses have been recognised in respect of Loans and Receivables or Held-to-Maturity Investments, other than as disclosed in Note 12 and Impairment Losses recognised/reversed in respect of Trade Receivables (see Notes 4, 5 and 30).

44. GAINS / LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Proceeds on Sale of Assets	-	60,000
Assets Disposed at Carrying Value:	(808,936)	(409,572)
Cost of Disposed Assets	(13,486,795)	(801,500)
Accumulated Depreciation of Disposed Assets	12,677,860	391,928
Accumulated Impairment of Disposed Assets	-	-
Total Gains / Losses on Disposal of Capital Assets	(808,936)	(349,572)

45. CHANGE IN ACCOUNTING POLICY

There were no changes in Accounting Policies for the current financial year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
46. CORRECTION OF ERROR		
Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2018 and 30 June 2019. The columns below represent the original 2018 audited figures (on the right), whilst the column on the left represent the restated 2018 figures, after taken into account prior period errors. Details of the adjustments are as follows:		
Statement of Financial Position:		
Inventories	453,858	451,789
Receivables from Exchange Transactions	57,010,900	45,998,831
Receivables from Non-exchange Transactions	14,087,517	16,891,165
Cash and Cash Equivalents	12,826,252	10,702,493
Current Portion of Operating Lease Receivables	4,542	4,542
Property, Plant and Equipment	776,194,540	781,633,578
Intangible Assets	136,551	61,377
Investment Property	76,955,109	78,577,109
Heritage Assets	6,959,273	6,959,273
Non-current Investments	28,054	25,329
Long-term Receivables	1,601	1,489
Operating Lease Receivables	7,473	7,473
Consumer Deposits	(2,345,572)	(2,269,439)
Payables from Exchange Transactions	(66,745,981)	(42,937,518)
Payables from Non-exchange Transactions	(3,588,027)	(3,539,875)
Unspent Conditional Grants and Receipts	(3,477,942)	(3,857,622)
VAT Payable	(2,636,568)	(4,974,347)
Bank Overdraft	(9,882,584)	(7,254,599)
Current Portion of Long-term Liabilities	(3,733,833)	(3,433,193)
Current Portion of Retirement Benefit Liabilities	(2,038,889)	(1,510,647)
Long-term Liabilities	(1,010,843)	(4,702,175)
Employee Benefit Liabilities	(35,882,413)	(36,197,938)
Non-current Provisions	(46,936,725)	(8,012,647)
Accumulated Surplus - Opening Balance	(864,234,132)	(864,234,132)
Accumulated Surplus - Prior Period Error	(636,373)	
Accumulated Surplus - Surplus (Loss) for the Year	41,565,032	41,609,684
	<u><u>(56,919,183)</u></u>	<u><u>0</u></u>

Statement of Financial Performance:

Depreciation and amortisation	14,621
General expenses	9,887
Repairs and maintenance	91,999
Grants and subsidies received	(85,921)
Grants and subsidies paid	(75,240)
	<u><u>(44,654)</u></u>

The details of the reclassifications of correction of errors made are as follows:

46.1 Movements in the Fixed Asset Register

Whilst compiling the 2019 Fixed Asset Register (and sub-sequently the Annual Financial Statements) it came to light that retrospective corrections were needed to me made. These included the effect of assets being verified in the 2019 financial year which were already written off in the previous years etc.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(170,471)	(170,471)
Increase / (decrease) in PPE	170,471	155,850
Statement of Financial Performance:		
Increase / (Decrease) in depreciation and amortisation		14,621
	<u><u>-</u></u>	<u><u>-</u></u>

46.2 Correction of VAT control accounts

During 2019 differences were identified pertaining to the VAT control accounts of previous years.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(456,015)	(465,902)
Increase / (decrease) in VAT Payable/Receivable	456,015	456,015
Statement of Financial Performance:		
Increase / (Decrease) in general expenses		9,887
	<u><u>-</u></u>	<u><u>-</u></u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
46.3 Re-allocation of prior year expenses wrongfully not accounted as EPWP qualifying expenditure		
During the 2019 financial year it was identified that EPWP qualifying expenditure from the previous year was not allocated as such.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(85,921)	-
(Increase) / decrease in Unspent Conditional Grants	85,921	85,921
Statement of Financial Performance:		
Increase / (Decrease) in grants and subsidies paid		(75,240)
(Increase) / Decrease in grants and subsidies received		(85,921)
Increase / (Decrease) in repairs and maintenance		75,240
	<u>-</u>	<u>-</u>

46.4 Accounting for expenditure not previously accounted for.

During the 2019 financial year it was identified that invoices pertaining to the prior year was not accounted for.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	21,799	5,040
(Increase) / decrease in Payables from exchange transactions	(24,851)	(24,851)
(Increase) / decrease in VAT Payable/Receivable	3,052	3,052
Statement of Financial Performance:		
Increase / (Decrease) in repairs and maintenance		16,759
	<u>-</u>	<u>-</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
47. CHANGE IN ESTIMATE		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2018. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well, this effect is however not quantified as estimating it is impracticable. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(14,014,796)	(1,196,967)
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets	(418,772)	-
Increase / (Decrease) in Depreciation of PPE	<u>(14,433,568)</u>	<u>(1,196,967)</u>
Depreciation and Amortisation as previously stated	67,190,781	63,966,880
Adjustment due to Change in Accounting Estimate	(14,433,568)	(1,196,967)
Depreciation and Amortisation as per Note 35	<u>52,757,212</u>	<u>62,769,912</u>
48. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(83,197,515)	(43,321,055)
Adjustment for:		
Correction of prior period error		465,902
Depreciation and Amortisation	52,757,212	62,769,912
Impairment Losses on Property, Plant and Equipment	1,497,751	(344,099)
Losses / (Gains) on Disposal of Property, Plant and Equipment	808,936	349,572
Fair Value adjustment of Investment Property	-	-
Fair Value adjustment of Non-current Investment	(1,155)	(2,725)
Profit on Sale of Land	2,841,589	1,595,030
Contribution to Retirement Benefit Liabilities	(8,040,478)	212,717
Contribution to Non-current Provisions	8,737,443	4,204,821
Contribution to Long Service Awards Liability	-	-
Contribution to Impairment Provision	-	-
Operating surplus before working capital changes	<u>(24,596,217)</u>	<u>25,930,075</u>
Decrease / (Increase) in Inventories	(147,046)	(2,069)
Decrease / (Increase) in Receivables from Exchange Transactions	29,332,334	(11,974,509)
Decrease / (Increase) in Receivables from Non-exchange Transactions	(4,443,869)	2,803,648
Decrease / (Increase) in Operating Lease Assets	-	-
Increase / (Decrease) in Consumer Deposits	69,224	76,133
Increase / (Decrease) in Payables from Exchange Transactions	21,677,970	20,551,893
Increase / (Decrease) in Payables from Non-exchange Transactions	(253,779)	48,152
Decrease / (Increase) in Long-term Receivables	1,591	(112)
Increase / (Decrease) in Conditional Grants and Receipts	26,304,122	(379,680)
Increase / (Decrease) in Payables from VAT Payable	(7,287,356)	(1,142,082)
Cash generated by / (utilised in) Operations	<u>40,656,976</u>	<u>35,911,449</u>
49. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
During the 2018 financial year, the Municipality acquired R594 355 (2018: R44 643) of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.		
50. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	(342,817)	(3,335,589)
- Amount unused / (Overspent)	2,342,817	5,335,589
	<u>2,000,000</u>	<u>2,000,000</u>
Unsecured Credit Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	800,000	800,000
	<u>800,000</u>	<u>800,000</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
51. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 19)	1,531,183	4,744,676
Used to finance Property, Plant and Equipment - at cost	(1,531,183)	(1,684,168)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

52.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	118,571,240	76,893,986
Unauthorised Expenditure current year	48,940,450	41,677,254
Written off by Council	(118,571,240)	-
Unauthorised Expenditure awaiting authorisation	48,940,450	118,571,240

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>Council to write off expenditure.</i>
<i>Unknown - R0 (R32 160)</i>	
<i>Executive and Council - R1 327 488 (R4 391 280)</i>	
<i>Finance and Administration - R9 641 712 (R1 378 718)</i>	
<i>Planning and Development - R2 128 537 (R2 633 883)</i>	
<i>Community and Social Services - R4 644 664 (R5 930 191)</i>	
<i>Roads and Transport - R0 (R0)</i>	
<i>Other - R652 386 (R537 853)</i>	
<i>Housing - R1 071 683 (R1 290 329)</i>	
<i>Waste Management - R13 214 157(R12 025 766)</i>	
<i>Electricity - R16 259 823 (R13 457 073)</i>	
<i>Water - R0 (R0)</i>	

52.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	4,716,279	1,859,480
Fruitless and Wasteful Expenditure current year	4,956,980	2,856,799
Written off by Council	(4,716,279)	-
Fruitless and Wasteful Expenditure awaiting to be written off	4,956,980	4,716,279

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest paid to Creditors on overdue accounts - R 4 956 980 (2018: R 2 856 799)</i>	

52.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	36,760,487	8,592,680
Irregular Expenditure current year	18,966,583	25,308,807
Irregular Expenditure of prior years identified in current year	-	2,859,000
Written off by Council	(36,760,487)	-
Irregular Expenditure awaiting to be written off	18,966,583	36,760,487

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Irregular Expenditure identified was inspected and it can be categorised as follows:</i>	<i>Council to write off expenditure.</i>
<i>The required number of quotations (3) were not obtained. These items were also not reported to council as a deviation during the financial year and is therefore irregular = R561 561</i>	
<i>Contracts were not in place for service providers. This amounted to irregular expenditure of R18 405 022</i>	

The Municipality is still in process of ensuring the completeness of its Irregular Expenditure (as disclosed above), as this an on-going process.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R	
53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
53.1 Contributions to organised local government - SALGA			
Opening Balance	524,066	398,918	
Council Subscriptions	804,229	697,773	
Amount Paid - current year	(804,229)	(572,625)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	524,066	524,066	
53.2 Audit Fees			
Opening Balance	3,325,973	2,571,547	
Current year Audit Fee	3,372,478	3,151,741	
Amount Paid - current year	(3,920,618)	(2,397,315)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	2,777,833	3,325,973	
53.3 VAT			
The net of VAT input payables and VAT output receivables are shown in Note 19. All VAT returns have been submitted by the due date throughout the year.			
53.4 PAYE, Skills Development Levy and UIF			
Opening Balance	(0)	-	
Current year Payroll Deductions	11,175,308	10,182,600	
Amount Paid - current year	(11,192,776)	(10,182,600)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	(17,468)	(0)	
53.5 Pension and Medical Aid Deductions			
Opening Balance	-	-	
Current year Payroll Deductions and Council Contributions	17,013,748	15,239,898	
Amount Paid - current year	(17,013,748)	(15,239,898)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
53.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2019	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Kivedo MC	4,603	4,166	437
Councillor Van Wyk PD	15,069	1,737	13,332
Councillor Hoffman SJ	2,554	2,554	-
Councillor Billie L	2,622	1,747	875
Councillor Mhlauti PP	6,240	2,034	4,206
Councillor Vanel D	9,006	2,462	6,545
Councillor Mkontwana NP	1,683	1,683	-
Councillor Faul RR	8,134	1,942	6,193
Total Councillor Arrear Consumer Accounts	49,912	18,324	31,588
30 June 2018	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Van Wyk PD	27,534	2,855	24,679
Councillor Hoffman SJ	5,714	2,185	3,529
Councillor Mhlauti PP	12,121	1,937	10,184
Councillor Vanel D	11,350	1,624	9,726
Councillor Louw CJ	3,678	1,253	2,424
Councillor Faul RR	17,619	110	17,509
Total Councillor Arrear Consumer Accounts	78,016	9,965	68,051

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
30 June 2019		
Councillor Kivedo MC	437	> 90 days
Councillor Van Wyk PD	24,252	> 90 days
Councillor Hoffman SJ	2,801	> 90 days
Councillor Billie L	875	> 90 days
Councillor Mhlauti PP	9,670	> 90 days
Councillor Vanel D	9,306	> 90 days
Councillor Louw CJ	1,751	> 90 days
Councillor Mkontwana NP	91	> 90 days
Councillor Faul RR	13,737	> 90 days
	Highest amount outstanding	Ageing
30 June 2018		
Councillor Van Wyk PD	30,010	> 90 days
Councillor Hoffman SJ	8,123	> 90 days
Councillor Mhlauti PP	10,216	> 90 days
Councillor Vanel D	12,414	> 90 days
Councillor Louw CJ	9,958	> 90 days
Councillor Faul RR	17,582	> 90 days

53.7 Non-Compliance with the Municipal Finance Management Act

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
General Responsibilities	7	52	(d)
Revenue Management	8	64	(3)
Monthly Budget Statements	8	71	(i) to (v)
Mid-year Budget and Performance Assessment	8	72	(1) to (3)
Information to be placed on Websites of Municipalities	8	75	(1) to (2)
The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.		122	(1)
Money owed by the municipality was not always paid within 30 days.		65	(2)
Reasonable steps were not taken to prevent irregular, fruitless and wasteful and unauthorised expenditure		62	(1)
The municipality did not establish an investment policy that was adopted by council		13	2
Supply Chain Management Policy to comply with Prescribed Framework	11	112	

53.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Reasons	Month	Successful Bidder	One Quotation	Two Quotations	Total
The accredited service provider was utilised to perform the maintenance required.	July 2018	Precision Hydraulics	35,392	-	35,392.00
Due to specialised work required and quality standards not being met by some suppliers, deviations arose.	August 2018	Various Suppliers	71,052	-	71,052.00
The largest contribution towards deviations for the month was due to the fact that a vehicle repaired was still under warranty and thus no other quotations were obtained.	September 2018	Various Suppliers	24,860	9,572	34,432.00
Various repairs, specialised in nature, contributed towards the deviation total for the month.	October 2018	Various Suppliers	172,627	-	172,627.00
The supplier needed to perform work first before being able to provide a quote	November 2018	Super Armature Winding	14,015	-	14,015.00
The suppliers needed to perform work first before being able to provide a quote as well as the fact that some of the work was specialised in nature.	January 2019	Various Suppliers	160,437	-	160,437.00
Not all suppliers were able to do the work resulting in less than 3 quotes received.	February 2019	Various Suppliers	33,482	26,222	59,704.00
The biggest contribution towards deviations for the month was due to telemetric systems needing specialised maintenance, only able to be performed by one service.	March 2019	Spectrum Communications	93,606	-	93,606.00

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Reasons	Month	Successful Bidder	One Quotation	Two Quotations	Total
Damages to properties resulted in emergency services needed.	April 2019	Dewald Du Toit Boukontrakteurs	273,604	61,792	335,396.00
Lightning in the municipal area resulted in repairs needed. Not all service providers were able to meet the specifications of these repairs, resulting in a deviation recorded. Other specialised repairs needed, further contributed towards the deviations for the month	May 2019	Various Suppliers	898,990	28,499	927,489.00
The biggest contribution towards deviations for the month was due to telemetric systems needing specialised maintenance, only able to be performed by one service.	June 2019	Spectrum Communications	105,077	-	105,077.00

53.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2019	Unaccounted Electricity Losses	-	0.0000	-
30 June 2018	Unaccounted Electricity Losses	15,066,448	0.9762	14,707,508

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported. The municipality is currently in a dispute with one of their pre-paid electricity service providers that has lead to the municipality not being able to obtain sales and other figures from them. Due to this reason it is not possible to reliably disclose the electricity distribution losses for the 2019 year

Volumes in kWh/year:

System Input Volume	-	58,769,142
Billed Consumption	-	43,702,694
Unaccounted	-	15,066,448
Normal distribution losses - % of electricity purchases	-	(4,701,531)
Distribution Loss	-	10,364,917

Percentage Distribution Loss 0.00% 17.64%

Water:

		Lost Units	Tariff	Value
30 June 2019	Unaccounted Water Losses	746,557	1.1685	872,356
30 June 2018	Unaccounted Water Losses	904,346	1.0739	971,160

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

54. COMMITMENTS FOR EXPENDITURE

54.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	5,144,967	16,653,622
Infrastructure	5,144,967	16,653,622

Total Capital Commitments **5,144,967** **16,653,622**

This expenditure will be financed from:

Government Grants	5,144,967	16,653,622
Own Resources	-	-
	5,144,967	16,653,622

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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54. COMMITMENTS FOR EXPENDITURE (continued)

54.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 7.

54.3 Other Commitments

The Municipality has entered into a contract with E-Valuations for the compilation of the valuation roll and supplementary valuation rolls and the maintenance of all properties in the municipal areas of jurisdiction for the financial 1 July 2017 to 30 June 2022. At yearend, the remaining contract value amounted to R0 (2018: R166 343).

The Municipality furthermore entered into a contract with OMA Chartered Accountants for the review and identification of possible VAT savings. To date no savings have been claimed and the Municipality does not have any outstanding commitment in respect to the contractor.

The Municipality has entered into a contract with Ignite Advisory Services for the Performance management system in Emthanjeni Municipality. At yearend, the remaining contract value amounted to R0 (2018: R82 423).

The municipality has entered into a contract with PBICT Media and Publishing (Pty) Ltd for the performing of the employee wellness program. At yearend, the remaining contract value was R1 643 621 (2018: R4 411 315)

55. FINANCIAL INSTRUMENTS

55.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Listed Investments	Fair value	29,209	28,054
Long-term Receivables			
Other Loans	Amortised cost	10	1,601
Receivables from Exchange Transactions			
Electricity	Amortised cost	11,226,806	12,086,101
Refuse	Amortised cost	1,299,632	4,628,049
Town Commonage	Amortised cost	155,877	26,292
Rental of municipal buildings	Amortised cost	75,087	76,361
Sewerage	Amortised cost	4,369,813	10,435,671
Water	Amortised cost	10,476,457	29,681,330
Other Receivables	Amortised cost	74,893	77,097
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	5,915,960	5,725,672
Payments made in Advance	Amortised cost	223,564	-
Sundry Deposits	Amortised cost	984,651	980,695
Sundry Debtors	Amortised cost	11,407,211	7,381,150
Cash and Cash Equivalents			
Call Deposits	Amortised cost	24,698,224	180,018
Notice Deposits	Amortised cost	9,108,617	8,482,603
Bank Balances	Amortised cost	1,621,191	274,347
Cash Floats and Advances	Fair value	2,690	2,690
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Long-term Receivables	Other Loans	10	1,601
Receivables from Exchange Transactions	Electricity	11,226,806	12,086,101
Receivables from Exchange Transactions	Refuse	1,299,632	4,628,049
Receivables from Exchange Transactions	Sewerage	4,369,813	10,435,671
Receivables from Exchange Transactions	Town Commonage	155,877	26,292
Receivables from Exchange Transactions	Rental of municipal buildings	75,087	76,361
Receivables from Exchange Transactions	Water	10,476,457	29,681,330
Receivables from Exchange Transactions	Other Debtors	74,893	77,097
Receivables from Non-exchange Transactions	Assessment Rates Debtors	5,915,960	5,725,672
Receivables from Non-exchange Transactions	Payments made in Advance	223,564	-
Receivables from Non-exchange Transactions	Sundry Deposits	984,651	980,695
Receivables from Non-exchange Transactions	Sundry Debtors	11,407,211	7,381,150

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
55. FINANCIAL INSTRUMENTS (continued)			
Cash and Cash Equivalents	Call Deposits	24,698,224	180,018
Cash and Cash Equivalents	Notice Deposits	9,108,617	8,482,603
Cash and Cash Equivalents	Bank Balances	1,621,191	274,347
		<u>81,637,992</u>	<u>80,036,985</u>
Financial Assets at Fair Value:			
Non-current Investments	Listed Investments	29,209	28,054
Cash and Cash Equivalents	Cash Floats and Advances	2,690	2,690
		<u>31,899</u>	<u>30,744</u>
Total Financial Assets			
		<u>81,669,890</u>	<u>80,067,728</u>
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:			
	<u>Financial Liabilities</u>	<u>Classification</u>	
Long-term Liabilities			
Finance Leases	Amortised cost	1,290,339	1,010,844
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	9,045,648	12,010,772
Payments Received in Advance	Amortised cost	6,212,787	5,403,724
Retentions	Amortised cost	2,417,548	2,366,091
Staff Bonuses	Amortised cost	2,640,224	2,340,968
Sundry Deposits	Amortised cost	355,570	337,652
Other Creditors	Amortised cost	4,373,780	18,451,627
Salary Control Account	Amortised cost	(4,473)	(4,459)
Accrued Leave	Amortised cost	7,475,297	6,747,346
Payables from Non-exchange Transactions			
Payments Received in Advance	Amortised cost	3,334,249	3,588,027
Bank Overdraft			
Bank Overdraft	Amortised cost	(18,298,647)	(9,882,584)
Current Portion of Long-term Liabilities			
Finance Leases	Amortised cost	(240,845)	(3,733,833)
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Leases	1,290,339	1,010,844
Payables from Exchange Transactions	Trade Creditors	9,045,648	12,010,772
Payables from Exchange Transactions	Payments Received in Advance	6,212,787	5,403,724
Payables from Exchange Transactions	Retentions	2,417,548	2,366,091
Payables from Exchange Transactions	Staff Bonuses	2,640,224	2,340,968
Payables from Exchange Transactions	Sundry Deposits	355,570	337,652
Payables from Exchange Transactions	Other Creditors	4,373,780	18,451,627
Payables from Exchange Transactions	Salary Control Account	(4,473)	(4,459)
Payables from Exchange Transactions	Accrued Leave	7,475,297	6,747,346
Payables from Non-exchange Transactions	Payments Received in Advance	3,334,249	3,588,027
Bank Overdraft	Bank Overdraft	(18,298,647)	(9,882,584)
Current Portion of Long-term Liabilities	Finance Leases	(240,845)	(3,733,833)
		<u>18,601,478</u>	<u>38,636,176</u>
Total Financial Liabilities			
		<u>18,601,478</u>	<u>38,636,176</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019	2018
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55. FINANCIAL INSTRUMENTS (continued)

55.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the Municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties as well as the current payment ratios of the Municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2019, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the Municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

			2019 R	2018 R
55. FINANCIAL INSTRUMENTS (continued)				
30 June 2019	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	29,209	-	-	29,209
Cash and Cash Equivalents	-	2,690	-	2,690
Total Financial Assets	29,209	2,690	-	31,899
Total Financial Instruments	29,209	2,690	-	31,899
30 June 2018	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	28,054	-	-	28,054
Cash and Cash Equivalents	-	2,690	-	2,690
Total Financial Assets	28,054	2,690	-	30,744
Total Financial Instruments	28,054	2,690	-	30,744

55.3 Capital Risk Management

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2010.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 19, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the Municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95.00%, reducing 90.00%. This aggressive ratio is as a result of the development challenges faced by the Municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	1,531,183	4,744,676
Cash and Cash Equivalents	17,132,073	2,943,668
Net Debt	18,663,257	7,688,344
Equity	683,188,776	766,386,291
Net debt to equity ratio	2.73%	1.00%

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

55.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019	2018
R	R

55. FINANCIAL INSTRUMENTS (continued)

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

55.5 Significant Risks

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 56.8 to the Annual Financial Statements.

55.6 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

55.6.1 Foreign Currency Risk Management

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019	2018
R	R

55. FINANCIAL INSTRUMENTS (continued)

55.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 56.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

Surplus for the year ended 30 June 2019 would have increased / decreased by R267 (2018: R267). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

55.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the Municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
55. FINANCIAL INSTRUMENTS (continued)		
<p>The Municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:</p> <ul style="list-style-type: none"> • The application of section 118(3) of the Municipal Systems Act (MSA), which permits the Municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property; • A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount; • The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA; • The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually; • Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters. <p>There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.</p> <p>The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.</p> <p>Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.</p> <p>Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.</p> <p>The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.</p> <p>The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:</p>		
Fixed Deposit Investments	29,209	28,054
Long-term Receivables	10	1,601
Receivables from Exchange Transactions	27,678,565	57,010,900
Receivables from Non-exchange Transactions	18,531,386	14,087,517
Bank, Cash and Cash Equivalents	17,132,073	2,943,668
Maximum Credit and Interest Risk Exposure	<u>63,371,243</u>	<u>74,071,739</u>
<p>The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:</p>		
	%	%
Consumer Debtors:		
- Household	68.78%	88.25%
- Industrial / Commercial	11.69%	4.88%
- National and Provincial Government	19.53%	6.87%
- Other Classes	0.00%	0.00%
Total Credit Risk	<u>100.00%</u>	<u>100.00%</u>
Bank and Cash Balances		
ABSA Bank Ltd	(7,821,938)	(1,350,121)
First National Bank	2,256	2,344
Nedbank	151,042	144,054
Standard Bank	280,861	250,544
Cash Equivalents	2,690	2,690
Total Bank and Cash Balances	<u>(7,385,090)</u>	<u>(950,489)</u>
Credit quality of Financial Assets:		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
55. FINANCIAL INSTRUMENTS (continued)		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Long-term Receivables		
Group 1	10	1,601
Total Long-term Receivables	<u>10</u>	<u>1,601</u>
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	5,405,635	3,915,667
Group 2	22,272,930	53,095,233
Group 3	80,199,670	91,170,597
	<u>107,878,236</u>	<u>148,181,497</u>
Total Receivables from Exchange Transactions	<u>107,878,246</u>	<u>148,183,098</u>
Receivables from Non-exchange Transactions		
Group 1	3,430,688	2,889,190
Group 2	2,485,272	2,836,481
Group 3	39,840,760	33,923,290
Total Receivables from Non-exchange Transactions	<u>45,756,720</u>	<u>39,648,961</u>

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

55. FINANCIAL INSTRUMENTS (Continued)

55.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 55 is a listing of additional undrawn facilities that the Municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2019								
Non-interest Bearing			91,758,200	91,758,200				
- Payables from Exchange transactions	15	0.00%	88,423,951	88,423,951				
- Payables from Non-exchange transactions	16	0.00%	3,334,249	3,334,249				
Variable Interest Rate Instruments			19,913,619	19,482,240	183,597	247,783	-	-
- Bank Overdraft	5	9.50%	18,298,647	18,298,647	-	-	-	-
- Fintec	18	Various	-	-	-	-	-	-
- Digi Copiers	18	Various	545,946	155,985	155,985	233,977	-	-
- Absa Vehicle Management Solutions	18	Various	999,996	999,996	-	-	-	-
- Tshimologong Technologies	18	124.44%	69,030	27,612	27,612	13,806	-	-
			111,671,819	111,240,440	183,597	247,783	-	-
30 June 2018								
Non-interest Bearing			70,309,157	70,309,157	-	-	-	-
- Payables from Exchange transactions	18	0.00%	66,721,130	66,721,130	-	-	-	-
- Payables from Exchange transactions	18	0.00%	3,588,027	3,588,027	-	-	-	-
Variable Interest Rate Instruments			15,234,383	12,017,636	2,134,743	1,065,602	16,402	-
- Bank Overdraft	5	9.50%	9,882,893	9,882,893	-	-	-	-
- Fintec	18	Various	210,136	105,068	105,068	-	-	-
- Absa Vehicle Management Solutions	18	Various	4,999,980	1,999,992	1,999,992	999,996	-	-
- Tshimologong Technologies	18	124.44%	141,373	29,683	29,683	65,606	16,401.53	-
			85,543,540	82,326,793	2,134,743	1,065,602	16,402	-

The Municipality has access to financing facilities, the total unused amount which is R2 342 817 (2018: R2 437 253), at the reporting date. The Municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

55.9 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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56. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R8 937 562 (2018: R8 158 283) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the investment reserve of the fund amounted to R1,967 (30 June 2012: R0) million, with a funding level of 99.7% (30 June 2012: 99.4%). The contribution rate paid by the members (9.00%) and the municipalities (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The last statutory valuation was performed as at 30 June 2015 and the next valuation will be done 30 June 2019 with information to be available by 30 June 2020

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R18,322 (30 June 2014: R17,212 million, with funding levels of 112.1% and 100.0% (30 June 2014: 112.6% and 99.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7.50%) and the municipalities (19.50%) is sufficient to fund the benefits accruing

Municipal Councillors Pension Fund:

The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund amounted to R2 551 861 million (30 June 2012: R1 371 339 million). The contribution rate paid by the members (13.75%) and the municipalities (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

EMTHANJENI LOCAL MUNICIPALITY
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R R

56. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R10 439.2 (30 June 2012: R8 753.4) million, with funding levels of 100.0% (30 June 2012: 100.0%). The contribution rate paid by the members (8.6%) and Council (20.78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2 445.9 (30 June 2005: R1 511.5) million, with funding levels of 100.0% (30 June 2009: 100.0%). The contribution rate paid by the members (7.50%) and Council (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

57. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

57.1 Interest of Related Parties

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
S Sthonga	Mayor	Director - Stonga Farming
MO Maramba	Councillor	Director - M And M Labour Solutions
PP Mhlauli	Councillor	Director - Ncedisa Bakery Primary Co-Operative Limited
PN Bushula	Councillor	Director - Qala Kancini Consultants
PN Bushula	Councillor	Director - Active Women Enterprise
PN Bushula	Councillor	Director - Likuye Itemba
I Visser	Municipal Manager	Director - Siyathemba Social Projects Development
CP Appies	Director - Community Services	Director - KCA Trading Enterprise

57.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Sundry Charges R	Service Charges R	Total Charges R
For the Year ended 30 June 2019				
Councillors	36,893	11,511	105,157	153,562
Municipal Manager and Section 57 Personnel	46,246	103,716	9,364	159,326
Total Services	83,139	115,227	114,521	312,887
For the Year ended 30 June 2018				
Councillors	38,690	9,308	89,257	137,254
Municipal Manager and Section 57 Personnel	32,073	47,043	9,364	88,480
Total Services	70,763	56,350	98,620	225,734

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

57.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

57.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
57. RELATED PARTY TRANSACTIONS (continued)		
57.5 Purchases from Related Parties		
During the 2019 financial year, the municipality made no purchase from related parties or their entities		
58. CONTINGENT LIABILITIES		
Department of Safety and Liaison: Motor Registration Fees	2,928,053	1,981,493
The Municipality received correspondence in 2019 from the Department of Safety and Liaison (DSL) informing us that the Municipality owes the DSL outstanding amounts for Motor Registration Fees. The amount that DSL claims that the Municipality owes, amounted to R4 826 400.		
The Municipality is disputing this claim as it has made regular and continuous payments to the DSL. Motor registration fees were deposited directly into the bank account of DSL.		
The Chief Financial Officers and delegations of both the EM and DSL met and previously agreed that a proper investigation should be conducted into these claims of outstanding fees.		
In the 2019 financial year, after thorough calculations and reconciliations performed for the year by the municipality and scrutinizing correspondence received from the DSL, it came to light that there is still a difference between the two parties relating to the amount felt that is owed at yearend. The municipality is putting reliance on their calculation and support as well as the fact that to date the DSL has not made their calculations available for scrutinization. The difference between the two amounts felt still outstanding by respective parties (R2 928 053) is thus disclosed as a contingent liability, pending a formal investigation.		
Telkom SA Limited	35,568	35,568
The Municipality has been summonsed for an amount of R35 568, plus interest at 15.5% per annum. The Municipality is busy addressing this matter.		
Katy Sigonyela	-	50,000
The Municipality is being sued by the abovementioned plaintiff for a erf paid for, but never transferred. The erf in question is Erf 405, Nonzwakazi. The plaintiff passed away in 2019		
Fujitsu	244,672	244,672
The Municipality is being sued by the abovementioned plaintiff for licence fees. At yearend the municipality was still in conversation with Fujitsu with a possible conclusion nearing.		
Actophambili Roads (Pty) Ltd	-	630,267
The Municipality was sued by the abovementioned plaintiff for professional fees delivered regarding a capital project. The municipality entered into a payment arrangement and at yearend R657,000.00 of this amount has been settled. It was further communicated that should the municipality honour the payment arrangement, the interest would be waived.		
59. CONTINGENT ASSETS		
The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
60. IN-KIND DONATIONS AND ASSISTANCE		
The Municipality did not receive any In-kind Donations and Assistance during the year under review.		
61. PRIVATE PUBLIC PARTNERSHIPS		
The Municipality was not a party to any Private Public Partnerships during the year under review.		
62. EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2018.		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019	2018
R	R

63. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 46).

64. GOING CONCERN ASSESSMENT

The following issues were identified pertaining to events or conditions that could cast doubt on the municipality's ability to remain a going concern:

- (a) Current liabilities exceed current assets - Although the current liabilities exceed the current assets, it needs to be kept in mind that the municipality had to re-allocate their previously disclosed inventory land to Investment property (Non Current Assets). Had this not been the case, the municipality would still be within the acceptable norm.
- (b) Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.
- (c) Payment arrangement Eskom - The municipality currently has a payment arrangement with Eskom to settle outstanding debt. Based on previous years expenditure, the municipality will need to utilise some +- R60,000,000 of the available budget to service the Eskom creditor, this amount excludes amounts in arrears.
- (d) Bank account in overdraft - Due to the slow paying nature of the municipality's debtors, it had to utilize the overdraft facility from the bank in order to help settle creditors overdue accounts.
- (e) Consumer debtors write-off - The municipality decided to write off a substantial amount of consumers during the 2019 year. These debtors were either deceased or registered as being indigent. This will have a negative result on the acid-test and solvency indicator ratios.

Management also considered the following mitigating matters relating to the Going Concern:

- (a) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (b) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (c) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- (d) Although the municipality wrote off debtors in the 2019 year, it was done with the idea in mind that debtors with a reduced balance would be inspired to better settle their accounts in future. It would also put the municipality in a position to better enforce their debt collection policy which is believed will lead to be better cash flow and debt management in future.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2018	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2019
	R				R	R	R	R
FINANCE LEASES								
Fintech	1,156,171	Various	Various	2018/12/01	201,836		201,836	(0)
Absa Vehicle Management Solutions	9,497,458	Various	Various	2019/09/01	4,500,339		3,527,151	973,188
Tshimologong Technologies	44,643	124.44%	Di380	2020/09/01	44,924		9,981	34,943
Digi Copiers	594,355	Various	Various	2021/03/01	-	594,355	71,305	523,050
Total Finance Leases	11,292,627				4,747,099	594,355	3,810,274	1,531,180
TOTAL EXTERNAL LOANS	11,292,627				4,747,099	594,355	3,810,274	1,531,180

FINANCE LEASES:

Fintech Loans (Various):

Structured secured 3 year finance leases for the purchase of IT equipment. Original finance lease amount of R1 156 171 and is repayable monthly in fixed instalments of capital and fixed rate interest (15.53%) of R40 371 .

Digi Copiers (Various):

Structured secured 2 year finance leases for the purchase of IT equipment. Original finance lease amount of R594 355 and is repayable monthly in fixed instalments of capital and fixed rate interest (4.70%) of R25 997.

Absa Vehicle Management Solutions Finance Lease (Various):

Structured secured 3 year finance leases for the lease of motor vehicles. Original finance lease amount of R9 497 456 and is repayable monthly in fixed instalments of capital and fixed rate interest (ranging from 7.93% to 26)% of approximately R282 997.

Tshimologong Technologies

Structured secured 3 year finance leases for the lease of office equipment. Original finance lease amount of R44 643 and is repayable monthly in fixed instalments of capital and fixed rate interest 124.44% of approximately R5 077.54.

Note: The rates of interest payable on the above finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings											
Land	13,837,216	-	-	-	(800)	13,826,786.00	-	-	-	-	13,826,786
Buildings	205,332,202	-	-	235,000	(119,282)	205,447,919	111,770,785	6,942,218	(118,493)	118,594,510	86,853,409
Total	219,169,418	-	-	235,000	(120,082)	219,274,705	111,770,785	6,942,218	(118,493)	118,594,510	100,680,195
Infrastructure											
<i>Electricity</i>											
Electricity Network	205,433,775	1,982,580	-	1,758,195	-	(4,214,864)	134,824,443	4,880,386	(4,157,388)	135,547,441	69,412,246
<i>Roads</i>											
Roads and Stormwater Network	1,261,956,483	1,850,698	-	21,195,465	-	(1,455,386)	835,248,493	25,935,113	(1,445,589)	859,738,017	423,809,242
<i>Solid Waste</i>											
Landfill Sites	39,462,241	-	-	-	-	-	9,204,589	2,989,728	-	12,194,316	27,267,925
<i>Sanitation</i>											
Sewer Network	109,458,885	-	-	13,270,392	-	(4,546,945)	74,925,345	3,371,857	(4,241,543)	74,055,659	44,126,673
<i>Water</i>											
Water Network	312,871,991	-	-	6,957,865	-	(124,027)	246,098,107	5,263,285	(123,198)	251,238,194	68,467,636
Total	1,929,183,375	3,833,277	-	43,181,917	-	(10,341,221)	1,300,300,977	42,440,369	(9,967,718)	1,332,773,628	633,083,720
Leased Assets											
Office Equipment	1,200,814	594,355	-	-	(1,156,171)	638,998	1,000,642	256,854	(1,156,171)	101,325	537,673
Motor Vehicles	9,497,458	-	-	-	-	9,497,458	5,829,124	3,165,819	-	8,994,944	502,514
Total	10,698,272	594,355	-	-	(1,156,171)	10,136,456	6,829,766	3,422,674	(1,156,171)	9,096,269	1,040,187
Other Assets											
<i>Computer Equipment</i>											
Computer Hardware Including Operating Systems	3,235,769.28	38,325.67	-	-	-313,783.90	2,960,311.05	2,177,174.72	344,539.14	-257,641.77	2,264,072.09	696,238.96
<i>Furniture And Office Equipment</i>											
Advertising Boards	3,344,840.67	-	-	-	-1,797.00	3,343,043.67	1,897,970.88	222,570.50	-1,605.71	2,118,935.67	1,224,108.00
Air Conditioners Individual Fixed and Movable	484,992.14	129,556.76	-	-	-37,582.25	576,966.65	390,998.71	34,623.78	-30,369.49	395,253.00	181,713.64
Domestic and Hostel Furniture	59,027.00	-	-	-	-17,006.00	42,021.00	44,341.34	1,973.65	-13,760.62	32,554.37	9,466.63
Fixtures and Fittings	384,838.60	-	-	-	-377,743.60	7,095.00	325,885.92	13,236.08	-332,027.00	7,095.00	-0.00
Office Equipment including Fax Machines	792,749.50	9,561.74	-	-	-87,093.19	715,218.05	674,236.34	14,863.26	-76,394.30	612,705.30	102,512.74
Office Furniture	3,203,603.25	15,652.17	-	-	-664,497.68	2,554,757.75	2,548,782.36	100,343.54	-478,832.73	2,170,293.18	384,464.57

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R
<i>Machinery and Equipment</i>											
Audiovisual Equipment	229,773.36	3,041.74	-	-	-46,037.21	186,777.89	137,793.14	19,743.48	-33,771.82	123,764.79	63,013.09
Domestic Equipment (Non Kitchen Appliances)	142,377.33	20,655.65	-	-	-19,567.84	143,465.14	108,231.89	9,069.14	-17,235.15	100,065.88	43,399.25
Fire Arms	31,616.00	-	-	-	-9,872.00	21,744.00	26,560.25	841.85	-8,556.22	18,845.87	2,898.13
Fire Fighting Equipment	51,630.00	-	-	-	-21,275.00	30,355.00	45,028.56	823.54	-18,810.52	27,041.58	3,313.42
Gardening Equipment	154,326.91	33,313.09	-	-	-24,673.18	162,966.82	133,053.26	4,687.93	-21,705.98	116,035.21	46,931.61
Kitchen Appliances	167,200.24	1,825.22	-	-	-29,406.56	139,618.89	128,410.13	7,411.67	-23,037.16	112,784.64	26,834.25
Laboratory Equipment Agricultural	9,300.00	-	-	-	-480.00	8,820.00	7,811.90	134.69	-424.00	7,522.59	1,297.41
Laboratory Equipment Medical Testing	10,872.70	-	-	-	-	10,872.70	8,039.18	912.87	-	8,952.05	1,920.65
Machines For Textile Production	1,393.00	-	-	-	-	1,393.00	1,144.00	15.67	-	1,159.67	233.33
Medical and Allied Equipment	25,031.84	-	-	-	-14,595.00	10,436.84	21,117.47	868.44	-12,789.54	9,196.37	1,240.47
Meters Prepaid	5,100.00	-	-	-	-	5,100.00	4,905.71	10.80	-	4,916.50	183.50
Music Instruments	130,000.00	-	-	-	-	130,000.00	98,053.98	5,384.66	-	103,438.64	26,561.36
Pumps, Plumbing, Purification, Sanitation and Allied Equipment	65,668.36	-	-	-	-18,318.36	47,350.00	57,430.52	1,365.93	-16,441.58	42,354.87	4,995.13
Radio Equipment	100,884.79	65,054.00	-	-	-48,369.22	117,569.57	62,175.10	15,641.07	-29,908.82	47,907.35	69,662.22
Road Construction and Maintenance Equipment	4,998,440.83	-	-	-	-25,321.34	4,973,119.49	3,084,886.30	311,704.03	-19,334.94	3,377,255.39	1,595,864.10
Security and Access Control Units	129,178.92	-	-	-	-33,209.82	95,969.10	82,024.92	8,337.36	-23,449.84	66,912.44	29,056.66
Telecommunication Equipment	528,893.95	-	-	-	-6,000.00	522,893.95	473,736.14	1,080.19	-5,207.36	469,608.98	53,284.97
Workshop Equipment and Loose Tools Fixed	68,995.04	773.91	-	-	-14,490.04	55,278.91	49,069.55	2,866.61	-11,462.88	40,473.29	14,805.62
Workshop Equipment and Loose Tools Movable	890,219.74	29,245.73	-	-	-103,034.43	816,431.05	742,278.57	32,295.42	-85,751.99	688,821.99	127,609.05
<i>Transport Assets</i>											
Bicycles	2,400.00	-	-	-	-	2,400.00	2,400.00	-	-	2,400.00	-
Motor Vehicles	3,829,832.07	-	-	-	-	3,829,832.07	1,527,511.84	164,716.44	-	1,692,228.28	2,137,603.79
Trailers and Accessories	233,020.57	-	-	-	-2,191.45	230,829.12	118,435.15	3,009.53	-1,032.42	120,412.26	110,416.86
Trucks	4,972,539.65	-	-	-	-73,058.06	4,899,481.59	2,219,999.84	58,861.53	-34,418.46	2,244,442.91	2,655,038.68
Total	28,284,516	347,006	-	-	(1,989,403)	26,642,118	17,199,488	1,381,933	(1,553,970)	17,027,450	9,614,668
Total	2,187,335,580	4,774,638	-	43,416,917	(3,265,656)	245,712,058	1,436,101,017	54,187,193	(12,796,353)	1,477,491,857	744,418,770

ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2019

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R
Heritage											
Historic buildings	5,634,573	-	-	-	-	5,634,573	-	-	-	-	5,634,573
Collectables and other	475,500	-	-	-	-	475,500	-	-	-	-	475,500
Jewelry	849,200	-	-	-	-	849,200	-	-	-	-	849,200
Total	6,959,273	-	-	-	-	6,959,273	-	-	-	-	6,959,273

ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2019

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Investment Properties	R	R	R	R	R	R	R	R	R	R	R
Land	76,955,109	-	-	-	(2,840,000)	74,115,109	-	-	-	-	74,115,109
Total	76,955,109	-	-	-	-	74,115,109	-	-	-	-	74,115,109

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2019

[illegible]

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive and Council	1,777,617	3,043	-	(378,448)	1,402,211	722,552	255,259	(331,628)	646,183	756,029
Finance and Administration	3,480,408	766,609	-	(641,903)	3,605,114	2,510,767	311,313	(601,446)	2,220,635	1,384,479
Planning and Development	219,469,959	-	235,000	(408,124)	219,296,836	112,019,965	6,990,830	(406,535)	118,604,260	100,692,575
Community and Social Services	5,673,962	85,085	-	(899,141)	4,859,906	4,136,062	290,312	(722,036)	3,704,339	1,155,567
Health	75,831	-	-	(59,489)	16,342	65,731	2,464	(52,279)	15,915	427
Housing	14,864,722	84,884	-	(683,291)	14,266,315	8,453,763	558,983	(538,259)	8,474,487	5,791,828
Roads and Transport	418,180,231	763,454	21,195,465	(72,295)	440,066,855	278,772,863	11,764,416	(62,574)	290,474,705	149,592,150
Electricity	1,036,782,388	3,071,563	1,758,195	(5,777,935)	1,035,834,211	697,464,826	21,808,054	(5,710,663)	713,562,217	322,271,994
Waste Management	143,635,516	-	13,270,392	(4,546,945)	152,358,963	83,102,013	6,018,944	(4,241,543)	84,879,415	67,479,548
Water	343,385,317	-	6,957,865	(139,306)	350,203,876	248,852,475	6,186,618	(129,391)	254,909,701	95,294,174
Total	2,187,325,950	4,774,638	43,416,917	(13,606,878)	2,221,910,627	1,436,101,017	54,187,193	(12,796,353)	1,477,491,857	744,418,770

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

2018 Actual Income	2018 Actual Expenditure	2018 Surplus/ (Deficit)	Description	2019 Actual Income	2019 Actual Expenditure	2019 Surplus/ (Deficit)
R	R	R		R	R	R
5,015,608	(22,958,969)	(17,943,361)	Executive and Council	4,967,154	(18,996,966)	(14,029,812)
50,983,064	(38,477,802)	12,505,262	Finance and Administration	54,630,858	(47,653,248)	6,977,610
1,000,253	(15,530,258)	(14,530,005)	Planning and Development	1,002,586	(19,044,622)	(18,042,036)
960	(36,968)	(36,008)	Health	1,120	(32,191)	(31,071)
1,777,156	(19,039,671)	(17,262,515)	Community and Social Services	1,546,053	(18,457,166)	(16,911,113)
967,597	(3,672,348)	(2,704,752)	Housing	713,279	(3,425,108)	(2,711,829)
10,700,812	(7,284,361)	3,416,451	Public Safety	16,632,682	(7,651,270)	8,981,412
148,009	(4,367,011)	(4,219,002)	Sport and Recreation	115,187	(4,872,780)	(4,757,592)
-	-	-	Environmental Protection	-	-	-
27,388,183	(24,099,747)	3,288,436	Waste Management	32,986,928	(42,766,145)	(9,779,217)
14,088,317	(22,654,363)	(8,566,046)	Roads and Transport	9,764,539	(21,993,473)	(12,228,935)
46,093,699	(29,597,205)	16,496,494	Water	40,471,886	(40,059,442)	412,443
83,531,991	(96,038,061)	(12,506,070)	Electricity	82,329,564	(102,218,899)	(19,889,335)
	(1,259,940)	(1,259,940)	Other	-	(1,188,040)	(1,188,040)
241,695,649	(285,016,705)	(43,321,055)	Total	245,161,836	(328,359,352)	(83,197,515)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2019

Description	2019											2018			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.Lo. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD															
Governance and Administration:															
Executive and Council	4,544,518		4,544,518	-	-	4,544,518	4,967,154	-	422,636	9.30%	9.30%	-	-	-	5,015,608
Finance and Administration	49,417,798		49,417,798	-	-	49,417,798	54,630,858	-	5,213,060	10.55%	10.55%	-	-	-	50,983,064
Community and Public Safety:															
Community and Social Services	1,542,228		1,542,228	-	-	1,542,228	1,546,053	-	3,825	0.25%	0.25%	-	-	-	1,777,156
Sport and Recreation	172,843		172,843	-	-	172,843	115,187	-	(57,656)	(33.36)%	(33.36)%	-	-	-	148,009
Public Safety	5,095,858		5,095,858	-	-	5,095,858	16,632,682	-	11,536,824	226.40%	226.40%	-	-	-	10,700,812
Housing	45,993		45,993	-	-	45,993	713,279	-	667,286	1450.84%	1450.84%	-	-	-	967,597
Health	-		-	-	-	-	1,120	-	1,120	#DIV/0!		-	-	-	960
Economic and Environmental Services:															
Planning and Development	13,087,000	(2,101,000)	10,986,000	-	-	10,986,000	1,002,586	-	(9,983,414)	(92.34)%	(90.87)%	-	-	-	1,000,253
Road Transport	505,035		505,035	-	-	505,035	9,764,539	-	9,259,504	1833.44%	1833.44%	-	-	-	14,088,317
Trading Services:															
Electricity	86,713,402		86,713,402	-	-	86,713,402	82,329,564	-	(4,383,838)	(5.06)%	(5.06)%	-	-	-	83,531,991
Water	75,801,794		75,801,794	-	-	75,801,794	40,471,886	-	(35,329,908)	(46.61)%	(46.61)%	-	-	-	46,093,699
Waste Management	43,056,505		43,056,505	-	-	43,056,505	32,986,928	-	(10,069,577)	(23.39)%	(23.39)%	-	-	-	27,388,183
Other:															
Other	-		-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	-
Total Revenue - Standard	279,982,974	(2,101,000)	277,881,974	-	-	277,881,974	245,161,836	-	(32,720,138)	(11.69)%	(11.77)%	-	-	-	241,695,649
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	16,792,238	(584,000)	16,208,238	-	-	16,208,238	18,996,966	-	2,788,728	13.13%	17.21%	-	-	-	22,958,969
Finance and Administration	37,543,111	-	37,543,111	-	-	37,543,111	47,653,248	-	10,110,137	26.93%	26.93%	-	-	-	38,477,802
Community and Public Safety:															
Community and Social Services	13,470,993	-	13,470,993	-	-	13,470,993	18,457,166	-	4,986,172	37.01%	37.01%	-	-	-	19,039,671
Sport and Recreation	5,232,676		5,232,676	-	-	5,232,676	4,872,780	-	(359,896)	(6.88)%	(6.88)%	-	-	-	4,367,011
Public Safety	9,529,592		9,529,592	-	-	9,529,592	7,651,270	-	(1,878,322)	(19.71)%	(19.71)%	-	-	-	7,284,361
Housing	2,372,715		2,372,715	-	-	2,372,715	3,425,108	-	1,052,393	44.35%	44.35%	-	-	-	3,672,348
Environmental Protection	-		-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	-
Health	158,370		158,370	-	-	158,370	32,191	-	(126,179)	(79.67)%	(79.67)%	-	-	-	36,968
Economic and Environmental Services:															
Planning and Development	16,916,085		16,916,085	-	-	16,916,085	19,044,622	-	2,128,537	12.58%	12.58%	-	-	-	15,530,258
Road Transport	17,402,107		17,402,107	-	-	17,402,107	21,993,473	-	4,591,366	26.38%	26.38%	-	-	-	22,654,363
Trading Services:															
Electricity	79,689,076		79,689,076	-	-	79,689,076	102,218,899	-	22,529,823	28.27%	28.27%	-	-	-	96,038,061
Water	15,808,446		15,808,446	-	-	15,808,446	40,059,442	-	24,250,996	153.41%	153.41%	-	-	-	29,597,205
Waste Management	29,568,611		29,568,611	-	-	29,568,611	42,766,145	-	13,197,534	44.63%	44.63%	-	-	-	24,099,747
Other:															
Other	535,653		535,653	-	-	535,653	1,188,040	-	652,387	121.79%	121.79%	-	-	-	1,259,940
Total Expenditure - Standard	245,019,673	(584,000)	244,435,673	-	-	244,435,673	328,359,352	-	83,923,678	34.25%	34.33%	-	-	-	285,016,705
Surplus/(Deficit) for the year	34,963,301	(1,517,000)	33,446,301	-	-	33,446,301	(83,197,515)	-	(116,643,816)	(333.62)%	(348.75)%	-	-	-	(43,321,055)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(2)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2019

Description	2019										2018				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised I.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - Executive and Council	4,544,518	-	4,544,518	-	-	4,544,518	4,967,154	-	422,636	9.30%	9.30%	-	-	-	5,015,608
Vote 2 - Finance and Administration	49,417,798	-	49,417,798	-	-	49,417,798	54,630,858	-	5,213,060	10.55%	10.55%	-	-	-	50,983,064
Vote 3 - Planning and Development	13,087,000	(2,101,000)	10,986,000	-	-	10,986,000	1,002,586	-	(9,983,414)	(92.34)%	(90.87)%	-	-	-	1,000,253
Vote 4 - Health	-	-	-	-	-	-	1,120	-	1,120	#DIV/0!	-	-	-	-	960
Vote 5 - Community and Social Services	1,542,228	-	1,542,228	-	-	1,542,228	1,546,053	-	3,825	0.25%	0.25%	-	-	-	1,777,156
Vote 6 - Public Safety	5,095,858	-	5,095,858	-	-	5,095,858	16,632,682	-	11,536,824	226.40%	226.40%	-	-	-	10,700,812
Vote 7 - Sports and Recreation	172,843	-	172,843	-	-	172,843	115,187	-	(57,656)	(33.36)%	(33.36)%	-	-	-	148,009
Vote 8 - Road Transport	505,035	-	505,035	-	-	505,035	9,764,539	-	9,259,504	1833.44%	1833.44%	-	-	-	14,088,317
Vote 9 - Other	-	-	-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	-
Vote 10 - Housing Services	45,993	-	45,993	-	-	45,993	713,279	-	667,286	1450.84%	1450.84%	-	-	-	967,597
Vote 11 - Waste Management	15,950,394	-	15,950,394	-	-	15,950,394	11,896,677	-	(4,053,717)	(25.41)%	(25.41)%	-	-	-	-
Vote 12 - Waste Water Management	27,106,111	-	27,106,111	-	-	27,106,111	21,153,417	-	(5,952,694)	(21.96)%	(21.96)%	-	-	-	27,388,183
Vote 13 - Electricity	86,713,402	-	86,713,402	-	-	86,713,402	82,329,564	-	(4,383,838)	(5.06)%	(5.06)%	-	-	-	83,531,991
Vote 14 - Water	75,801,794	-	75,801,794	-	-	75,801,794	40,471,886	-	(35,329,908)	(46.61)%	(46.61)%	-	-	-	46,093,699
Total Revenue by Vote	279,982,974	(2,101,000)	277,881,974	-	-	277,881,974	245,225,003	-	(32,656,971)	(11.66)%	(11.75)%	-	-	-	241,695,649
EXPENDITURE BY VOTE															
Vote 1 - Executive and Council	16,792,238	(584,000)	16,208,238	-	-	16,208,238	18,996,966	-	2,788,728	13.13%	17.21%	-	-	-	22,958,969
Vote 2 - Finance and Administration	37,543,111	-	37,543,111	-	-	37,543,111	47,653,248	-	10,110,137	26.93%	26.93%	-	-	-	38,477,802
Vote 3 - Planning and Development	16,916,085	-	16,916,085	-	-	16,916,085	19,044,622	-	2,128,537	12.58%	12.58%	-	-	-	15,530,258
Vote 4 - Health	158,370	-	158,370	-	-	158,370	32,191	-	(126,179)	(79.67)%	(79.67)%	-	-	-	36,968
Vote 5 - Community and Social Services	13,470,993	-	13,470,993	-	-	13,470,993	18,457,166	-	4,986,172	37.01%	37.01%	-	-	-	19,039,671
Vote 6 - Public Safety	9,529,592	-	9,529,592	-	-	9,529,592	7,651,270	-	(1,878,322)	(19.71)%	(19.71)%	-	-	-	7,284,361
Vote 7 - Sports and Recreation	5,232,676	-	5,232,676	-	-	5,232,676	4,872,780	-	(359,896)	(6.88)%	(6.88)%	-	-	-	4,367,011
Vote 8 - Road Transport	17,402,107	-	17,402,107	-	-	17,402,107	21,993,473	-	4,591,366	26.38%	26.38%	-	-	-	22,654,363
Vote 9 - Other	535,653	-	535,653	-	-	535,653	1,188,040	-	652,387	121.79%	121.79%	-	-	-	1,259,940
Vote 10 - Housing Services	2,372,715	-	2,372,715	-	-	2,372,715	3,425,108	-	1,052,393	44.35%	44.35%	-	-	-	3,672,348
Vote 11 - Waste Management	12,783,966	-	12,783,966	-	-	12,783,966	16,865,710	-	4,081,743	31.93%	31.93%	-	-	-	-
Vote 12 - Waste Water Management	16,784,645	-	16,784,645	-	-	16,784,645	25,963,602	-	9,178,957	54.69%	54.69%	-	-	-	24,099,747
Vote 13 - Electricity	79,689,076	-	79,689,076	-	-	79,689,076	102,218,899	-	22,529,823	28.27%	28.27%	-	-	-	96,038,061
Vote 14 - Water	15,808,446	-	15,808,446	-	-	15,808,446	40,059,442	-	24,250,996	153.41%	153.41%	-	-	-	29,597,205
Total Expenditure by Vote	245,019,673	(584,000)	244,435,673	-	-	244,435,673	328,422,518	-	5,663,433	2.31%	2.32%	-	-	-	285,016,705
Surplus/(Deficit) for the year	34,963,301	(1,517,000)	33,446,301	-	-	33,446,301	(83,197,515)	-	(38,320,405)	(109.60)%	(114.57)%	-	-	-	(43,321,055)

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E(3)
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Description	RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019											2018			
	Original	Budget	Final	Shifting of	Virement	2019	Actual	Unauthorised	Variance	Actual Outcome	Actual Outcome	Reported	Expenditure	Balance	Restated
	Total		Adjustments	Funds		Final	Outcome	Expenditure		as % of	as % of				
	Budget	Adjustments	Budget		Budget	Outcome		Final Budget	Original Budget	Expenditure	i.t.o. Sect 32	Recovered	Outcome		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Property Rates	29,289,480	-	29,289,480	-	-	29,289,480	33,191,190	-	3,901,710	13.32%	13.32%	-	-	-	31,790,141
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	561,272	-	561,272	100.00%	#DIV/0!	-	-	-	388,442
Service Charges - Electricity	56,141,402	-	56,141,402	-	-	56,141,402	75,120,848	-	18,979,446	33.81%	33.81%	-	-	-	73,251,139
Service Charges - Water	30,062,687	-	30,062,687	-	-	30,062,687	25,543,341	-	(4,519,346)	(15.03)%	(15.03)%	-	-	-	25,951,316
Service Charges - Sanitation	18,333,748	-	18,333,748	-	-	18,333,748	12,299,734	-	(6,034,014)	(32.91)%	(32.91)%	-	-	-	11,864,720
Service Charges - Refuse	10,517,089	-	10,517,089	-	-	10,517,089	6,420,796	-	(4,096,293)	(38.95)%	(38.95)%	-	-	-	6,272,700
Service Charges - Other	-	-	-	-	-	-	486,628	-	486,628	#DIV/0!	#DIV/0!	-	-	-	484,346
Rental of Facilities and Equipment	832,738	-	832,738	-	-	832,738	842,017	-	9,279	1.11%	1.11%	-	-	-	851,520
Interest Earned - External Investments	966,860	-	966,860	-	-	966,860	1,954,749	-	967,889	98.08%	98.08%	-	-	-	1,468,193
Interest Earned - Outstanding Debtors	1,334,634	-	1,334,634	-	-	1,334,634	1,506,328	-	171,694	12.86%	12.86%	-	-	-	1,092,857
Fines	3,759,600	-	3,759,600	-	-	3,759,600	15,775,437	-	12,015,837	319.60%	319.60%	-	-	-	9,201,881
Licences and Permits	2,108,315	-	2,108,315	-	-	2,108,315	1,280,739	-	(827,576)	(39.25)%	(39.25)%	-	-	-	1,630,387
Public contributions	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	200,000
Transfers Recognised - Operational	44,272,000	-	44,272,000	-	-	44,272,000	46,292,156	-	2,020,156	4.56%	4.56%	-	-	-	45,460,532
Other Revenue	28,154,421	-	28,154,421	-	-	28,154,421	1,526,723	-	(26,627,698)	(94.58)%	(94.58)%	-	-	-	1,767,461
Gains on Other Operations	-	-	-	-	-	-	1,155	-	1,155	100.00%	100.00%	-	-	-	2,725
Gains on Disposal of PPE	200,000	-	200,000	-	-	200,000	-	-	(200,000)	(100.00)%	(100.00)%	-	-	-	-
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	225,992,974	-	225,992,974	-	-	225,992,974	222,803,115	-	(3,189,859)	(1.41)%	(1.41)%	-	-	-	211,678,361
Expenditure															
Employee Related Costs	82,290,780	568,368	82,859,148	-	-	82,859,148	74,072,709	-	(8,786,439)	(9.99)%	(10.60)%	-	-	-	76,915,008
Remuneration of Councillors	6,788,145	(972,914)	5,815,231	-	-	5,815,231	5,502,117	-	(313,114)	(18.95)%	(5.38)%	-	-	-	5,334,661
Collection Costs	-	-	-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	3,304
Depreciation and Amortisation	9,598,934	-	9,598,934	-	-	9,598,934	52,757,212	-	43,158,278	449.62%	449.62%	-	-	-	62,769,912
Impairment Losses	7,000,942	-	7,000,942	-	-	7,000,942	62,899,314	-	55,898,371	798.44%	798.44%	-	-	-	25,031,854
Repairs and Maintenance	21,990,873	(109,980)	21,880,893	-	-	21,880,893	12,489,090	-	(9,391,803)	(43.21)%	(42.92)%	-	-	-	12,251,490
Finance Costs	1,428,525	-	1,428,525	-	-	1,428,525	14,255,835	-	12,827,310	897.94%	897.94%	-	-	-	8,207,300
Bulk Purchases	64,814,196	-	64,814,196	-	-	64,814,196	62,705,633	-	(2,108,564)	(3.25)%	(3.25)%	-	-	-	59,963,876
Contracted Services	10,311,800	(60,000)	10,251,800	-	-	10,251,800	9,519,416	-	(732,384)	(7.14)%	(7.14)%	-	-	-	7,299,107
Grants and Subsidies Paid	-	-	-	-	-	-	410,450	-	410,450	100.00%	100.00%	-	-	-	394,212
General Expenses	40,795,480	(9,476)	40,786,004	-	-	40,786,004	30,097,051	-	(10,688,953)	(26.22)%	(26.21)%	-	-	-	24,901,377
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	808,936	-	808,936	100.00%	100.00%	-	-	-	349,572
Loss on Sale of Land	-	-	-	-	-	-	2,841,589	-	2,841,589	100.00%	100.00%	-	-	-	1,595,030
Total Expenditure	245,019,675	(584,002)	244,435,674	-	-	244,435,674	328,359,352	-	83,923,678	34.25%	34.33%	-	-	-	285,016,705
Surplus/(Deficit)	(19,026,701)	584,002	(18,442,700)	-	-	(18,442,700)	(105,556,237)	-	(87,113,537)	457.85%	472.35%	-	-	-	(73,338,344)
Transfers Recognised - Capital	53,990,000	(2,101,000)	51,889,000	-	-	51,889,000	22,358,722	-	(29,530,278)	(54.70)%	(56.91)%	-	-	-	30,017,289
Surplus/(Deficit) for the Year	34,963,299	(1,516,998)	33,446,300	-	-	33,446,300	(83,197,515)	-	(116,643,816)	(333.62)%	(348.75)%	-	-	-	(43,321,055)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(4)

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2019

Description	2019										2018				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised I.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
Single-year Expenditure															
Vote 1 - Executive and Council	1,631,250	-	1,631,250	-	-	1,631,250	594,355	-	(1,036,895)	(63.56)%	(63.56)%	-	-	-	1,076,206
Vote 2 - Finance and Administration	809,400	(348,000)	461,400	-	-	461,400	45,384	-	(416,016)	(94.39)%	(90.16)%	-	-	-	187,734
Vote 3 - Planning and Development	-	-	-	-	-	-	786,815	-	786,815	100.00%	100.00%	-	-	-	22,131
Vote 5 - Community and Social Services	69,000	90,000	159,000	-	-	159,000	117,979	-	(41,021)	70.98%	(25.80)%	-	-	-	308,998
Vote 6 - Public Safety	30,450	-	30,450	-	-	30,450	15,652	-	(14,798)	(48.60)%	(48.60)%	-	-	-	-
Vote 7 - Sports and Recreation	34,250	-	34,250	-	-	34,250	7,252	-	(26,998)	(78.83)%	(78.83)%	-	-	-	-
Vote 8 - Road Transport	13,370,077	(3,843,000)	9,527,077	-	-	9,527,077	9,027,249	-	(499,828)	(32.48)%	(5.25)%	-	-	-	13,657,674
Vote 9 - Other	-	-	-	-	-	-	21,384	-	21,384	-	-	-	-	-	-
Vote 10 - Housing Services	-	-	-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	3,319
Vote 11 - Waste Management	9,000	-	9,000	-	-	9,000	8,157	-	(843)	(9.36)%	(9.36)%	-	-	-	32,683
Vote 12 - Waste Water Management	-	-	-	-	-	-	2,257	-	2,257	#DIV/0!	#DIV/0!	-	-	-	9,602,512
Vote 13 - Electricity	4,270,000	2,000,000	6,270,000	-	-	6,270,000	3,830,738	-	(2,439,262)	(10.29)%	(38.90)%	-	-	-	6,922,768
Vote 14 - Water	34,969,000	-	34,969,000	-	-	34,969,000	8,764,785	-	(26,204,235)	(74.94)%	(74.94)%	-	-	-	498,022
Total Capital Expenditure - Single-year	55,192,427	(2,101,000)	53,091,427	-	-	53,091,427	23,221,988	-	(29,869,439)			-	-	-	32,312,047
Total Capital Expenditure - Vote	55,192,427	(2,101,000)	53,091,427	-	-	53,091,427	23,221,988	-	(29,869,439)			-	-	-	32,312,047
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	1,631,250	-	1,631,250	-	-	1,631,250	594,355	-	(1,036,895)	(63.56)%	(63.56)%	-	-	-	1,076,206
Budget and Treasury Office	459,240	(348,000)	111,240	-	-	111,240	45,384	-	(65,856)	(90.12)%	(59.20)%	-	-	-	187,734
Corporate Services	350,160	-	350,160	-	-	350,160	-	-	(350,160)	(100.00)%	(100.00)%	-	-	-	-
Community and Public Safety:															
Community and Social Services	69,000	90,000	159,000	-	-	159,000	117,979	-	(41,021)	70.98%	(25.80)%	-	-	-	308,998
Sport and Recreation	34,250	-	34,250	-	-	34,250	7,252	-	(26,998)	(78.83)%	(78.83)%	-	-	-	-
Public Safety	30,450	-	30,450	-	-	30,450	15,652	-	(14,798)	(48.60)%	(48.60)%	-	-	-	-
Housing Services	-	-	-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	3,319
Economic and Environmental Services:															
Planning and Development	-	-	-	-	-	-	786,815	-	786,815	100.00%	100.00%	-	-	-	22,131
Road Transport	13,370,077	(3,843,000)	9,527,077	-	-	9,527,077	9,027,249	-	(499,828)	(32.48)%	(5.25)%	-	-	-	13,657,674
Trading Services:															
Electricity	4,270,000	2,000,000	6,270,000	-	-	6,270,000	3,830,738	-	(2,439,262)	(10.29)%	(38.90)%	-	-	-	6,922,768
Water	34,969,000	-	34,969,000	-	-	34,969,000	8,764,785	-	(26,204,235)	(74.94)%	(74.94)%	-	-	-	498,022
Waste Management	9,000	-	9,000	-	-	9,000	10,415	-	1,415	15.72%	15.72%	-	-	-	9,635,195
Other:															
Other	-	-	-	-	-	-	21,384	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	55,192,427	(2,101,000)	53,091,427	-	-	53,091,427	23,221,988	-	(29,869,439)			-	-	-	32,312,047
FUNDED BY:															
National Government	49,548,977	(2,101,000)	47,447,977	-	-	47,447,977	22,358,722	-	(25,089,255)	(54.88)%	(52.88)%	-	-	-	30,017,289
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Recognised - Capital	49,548,977	(2,101,000)	47,447,977	-	-	47,447,977	22,358,722	-	(25,089,255)	(54.88)%	(112.21)%	-	-	-	30,017,289
Internally Generated Funds	5,643,450	-	5,643,450	-	-	5,643,450	268,911	-	(5,374,539)	(95.23)%	(95.23)%	-	-	-	2,250,116
Borrowings	-	-	-	-	-	-	594,355	-	594,355	100.00%	100.00%	-	-	-	44,643
Total Capital Funding	55,192,427	(2,101,000)	53,091,427	-	-	53,091,427	23,221,988	-	(29,869,439)			-	-	-	32,312,047

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(5)

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	2019		Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	2018
				Actual Outcome	Variance			Audited Outcome
	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property Rates, Penalties and Collection Charges	27,583,532	-	27,583,532	-	(27,583,532)	(100.00)%	(100.00)%	
Service Charges	109,069,177	-	109,069,177	130,756,192	21,687,015	19.88%	19.88%	129,057,902
Other Revenue	33,406,228	-	33,406,228	-	(33,406,228)	(100.00)%	(100.00)%	
Government - Operating	44,272,000	-	44,272,000	94,544,550	50,272,550	113.55%	113.55%	74,703,928
Government - Capital	53,990,000	(2,101,000)	51,889,000	-	(51,889,000)	(100.00)%	(100.00)%	
Interest	2,054,567	-	2,054,567	1,954,749	(99,818)	(4.86)%	(4.86)%	1,468,193
Payments								
Suppliers and Employees	(216,300,712)	-	(216,300,712)	(181,080,124)	35,220,588	(16.28)%	(16.28)%	(165,142,893)
Finance Charges	(1,428,525)	-	(1,428,525)	(5,518,393)	(4,089,868)	286.30%	286.30%	(4,002,480)
Transfers and Grants	-	-	-	-	-	-	-	
NET CASH FROM / (USED) OPERATING ACTIVITIES	52,646,268	(2,101,000)	50,545,268	40,656,974	(9,888,293)			36,084,650
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on Disposal of PPE	200,000	-	200,000	(1,589)	(201,589)	(100.79)%	(100.79)%	96,600
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	-	-
Decrease / (Increase) Other Non-current Receivables	-	-	-	-	-	-	-	-
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-
Payments								
Capital Assets	(54,608,427)	2,101,000	(52,507,427)	(23,253,489)	29,253,938	(57.42)%	(55.71)%	(32,631,129)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(54,408,427)	2,101,000	(52,307,427)	(23,255,078)	29,052,349			(32,534,529)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Increase / (Decrease) in Consumer Deposits	97,926	-	97,926	-	(97,926)	(100.00)%	(100.00)%	-
New Loans raised	3,527,151	-	3,527,151	594,355	(2,932,796)	(83.15)%	(83.15)%	-
Payments								
Loans repaid	(3,527,151)	-	(3,527,151)	(3,807,847)	(280,696)	7.96%	7.96%	(3,390,692)
NET CASH FROM / (USED) FINANCING ACTIVITIES	97,926	-	97,926	(3,213,493)	(3,311,419)			(3,390,692)
NET INCREASE / (DECREASE) IN CASH HELD	(1,664,233)	-	(1,664,233)	14,188,404	15,852,637			159,429
Cash / Cash Equivalents at the Year begin:	2,943,359	-	2,943,359	2,943,668	309	0.01%	0.01%	2,784,238
Cash / Cash Equivalents at the Year end:	1,279,126	-	1,279,126	(17,132,073)	(18,411,199)	(1439.36)%	(1439.36)%	(2,943,667)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received 30 June 2019

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses	Net Grant	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
			Total	Total	Total		Yes / No	
Equitable Share	Nat Treasury	-			-	-	Yes	N/a
Library Grant	Provincial	-	693,000	(693,000)	-	-	Yes	N/a
EPWP	Nat Treasury	-	1,000,000	(1,000,000)	-	-	Yes	N/a
MIG	Nat Treasury	-	9,900,000	(9,724,553)	175,447	-	Yes	N/a
FMG	Nat Treasury	-	1,700,000	(1,700,000)	-	-	Yes	N/a
WSIG	Nat Treasury	1,773,433	9,500,000	(8,450,914)	2,822,519	-	Yes	N/a
RBIG	Nat Treasury	-	26,689,000	(1,609,411)	25,079,589	-	Yes	N/a
DWA	Provincial	15,621			15,621	-	Yes	N/a
Nonzwakazi Revitalisation	Provincial	-			-	-	Yes	N/a
Phandulwazi Upgrade	Provincial	150,000			150,000	-	Yes	N/a
Housing Accreditation	Provincial	-	680,000	(680,000)	-	-	Yes	N/a
Department of Health	Provincial	-			-	-	Yes	N/a
Department of Education	Provincial	1,232,100			1,232,100	-	Yes	N/a
Department of Roads	Provincial	267,600			267,600	-	Yes	N/a
Fire Equipment	Provincial	39,188			39,188	-	Yes	N/a
INEP	Nat Treasury	-	4,000,000	(4,000,000)	-	-	Yes	N/a
Total Grants and Subsidies Received		3,477,941	54,162,000	(27,857,878)	29,782,063			

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2019

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R
Mayor Sthonga ST	-	581,298	-	238,165	6,289	-	825,751
Speaker Kivedo MC	-	465,038	-	199,413	5,384	-	669,835
Councillors							
AF Jaftha	-	137,714	-	71,805	1,338	-	210,858
HJ Rust	-	300,289	-	68,400	2,139	-	370,828
WJ Du Plessis	-	183,960	-	105,720	2,038	-	291,718
PD Van Wyk	-	183,960	-	105,720	2,504	-	292,184
LE Andrews	-	183,960	-	105,720	2,504	-	292,184
SJ Hoffman	-	183,960	-	105,720	2,504	-	292,184
L Billie	-	201,334	-	111,511	2,698	-	315,543
RR Faul	-	183,960	-	105,720	2,504	-	292,184
MO Maramba	-	183,960	-	105,720	2,774	-	292,454
PP Mhlauli	-	183,960	-	105,720	2,504	-	292,184
D Vanel	-	183,960	-	105,720	2,504	-	292,184
CJ Louw	-	183,960	-	105,720	2,504	-	292,184
PN Bushula	-	68,678	-	38,633	679	-	107,990
NP Mkontwana	-	243,217	-	125,472	3,167	-	371,856
Total for Councillors	-	3,653,211	-	1,804,877	44,029	-	5,502,117
Municipal Manager Visser I	-	803,623	109,642	401,787	158,755	-	1,473,807
Chief Financial Officer Ludwick MR	-	525,732	67,598	430,826	50,010	-	1,074,166
Director: Community Services Msengana TW	23,375	559,223	124,262	284,274	162,879	-	1,154,012
Director: Corporate Services Apples CP	38,923	121,179	-	27,383	36,801	-	224,286
Joka HM	-	406,456	40,571	221,382	81,296	-	749,705
Director: Infrastructure and Technical Services Owies MJV	-	783,153	112,830	163,010	152,587	-	1,211,580
Total for Senior Managers	62,297	3,199,365	454,903	1,528,661	642,329	-	5,887,555
Total for Management	62,297	6,852,576	454,903	3,333,538	686,358	-	11,389,672

30 June 2018

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R
Mayor Sthonga ST	-	558,940	-	230,713	6,018	-	795,671
Speaker Kivedo MC	-	447,152	-	193,451	5,178	-	645,781
Councillors							
AF Jaftha	-	227,002	-	120,067	2,056	-	349,125
HJ Rust	-	289,405	-	66,812	2,072	-	358,289
WJ Du Plessis	-	176,884	-	103,361	1,960	-	282,206
PD Van Wyk	-	176,884	-	103,361	2,427	-	282,673
LE Andrews	-	176,885	-	103,361	2,427	-	282,673
SJ Hoffman	-	176,884	-	103,361	2,427	-	282,673
L Billie	-	176,885	-	103,361	2,427	-	282,673
RR Faul	-	176,884	-	103,361	2,427	-	282,673
MO Maramba	-	176,885	-	103,361	2,685	-	282,931
PP Mhlauli	-	176,884	-	103,361	2,427	-	282,673
D Vanel	-	176,884	-	103,361	2,427	-	282,673
CJ Louw	-	176,884	-	103,361	2,427	-	282,673
NP Mkontwana	-	233,858	-	122,355	3,065	-	359,277
Total for Councillors	-	3,525,201	-	1,767,012	42,448	-	5,334,661
Municipal Manager Visser I	-	918,913	266,610	425,644	175,041	246,892	2,033,099
Chief Financial Officer Manuel MF	-	380,517	301,719	100,823	73,522	182,400	1,038,981
Jack JP	-	129,749	-	96,686	11,927	-	238,362
Ludwick MR	114,378	154,629	-	43,524	31,398	-	343,929
Director: Community Services Msengana TW	-	568,999	43,250	215,704	159,341	-	987,294
Director: Corporate Services Apples CP	100,136	258,946	36,866	60,196	79,847	-	535,991
Jack MR	-	216,726	119,341	114,726	42,681	98,827	592,301
Director: Infrastructure and Technical Services Owies MJV	-	729,057	146,768	154,585	142,621	-	1,173,031
Total for Senior Managers	214,513	3,357,536	914,553	1,211,888	716,378	528,119	6,942,987
Total for Management	214,513	6,882,737	914,553	2,978,900	758,826	528,119	12,277,648

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2019	2018	
1. FINANCIAL POSITION						
A. Asset Management / Utilisation						
1.	Capital Expenditure to Total Expenditure	10% - 20%	Total Operating Expenditure	6.61%	10.18%	The Municipality financed acquisitions through an external loan (finance lease).
			Taxation Expense			
			Total Capital Expenditure	23,221,987	32,312,047	
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	PPE, Investment Property & Intangible Impairment	0.18%	-0.04%	The Impairment figure reported is immaterial and is the result of assets being damaged during the normal course of business.
			PPE at Carrying Value	1,497,751	(344,099)	
			IP at Carrying Value	744,418,790	776,194,540	
			Intangible Assets at Carrying Value	74,115,109	76,955,109	
				101,890	136,551	
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	Total Repairs and Maintenance Expenditure	1.53%	1.44%	As a number of Infrastructure Assets are new, the required maintenance on these items are not yet as high as it will be later in their useful lives.
			PPE at Carrying Value	12,489,090	12,251,490	
			Investment Property at Carrying Value	744,418,790	776,194,540	
				74,115,109	76,955,109	
B. Debtors Management						
1.	Collection Rate	95%	Gross Debtors Closing Balance	84.95%	63.82%	Management is attempting to increase the recoverability rate and as part of this numerous debtor accounts have been written off in the 2019 year.
			Gross Debtors Opening Balance	153,634,956	189,472,962	
			Bad Debts Written-off	189,472,962	135,340,778	
			Billed Revenue	58,874,224	-	
				153,062,538	149,614,362	
2.	Bad Debts Written-off as % of Provision for Bad Debt	100%	Consumer Debtors Bad Debts Written-off	49.05%	0.00%	
			Consumer Debtors Current Bad Debt Provision	58,874,224	-	
				120,040,431	126,736,391	
3.	Net Debtors Days	30 Days	Gross Debtors	80 Days	153 Days	Management is attempting to increase the recoverability rate and as part of this numerous debtor accounts have been written off in the 2019 year.
			Bad Debts Provision	153,634,956	189,472,962	
			Billed Revenue	120,040,431	126,736,391	
				153,062,538	149,614,362	
C. Liquidity Management						
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months	Cash and Cash Equivalents	-1 Months	0 Months	As required by the MFMA, management is committed to pay outstanding debt within the 30 day legislative deadline.
			Unspent Conditional Grants	35,430,721	12,826,252	
			Overdraft	29,782,064	3,477,942	
			Short-term Investments	18,298,647	9,882,584	
			Total Annual Operational Expenditure	-	-	
				209,052,301	195,270,336	
2.	Current Ratio	1.5 - 2:1	Current Assets	0.60	0.89	
			Current Liabilities	86,896,905	84,383,069	
				144,330,019	94,449,396	
C. Liability Management						
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	Interest Paid	-0.87%	-0.93%	
			Redemption	1,208,591	1,208,591	
			Total Operating Expenditure	(3,026,003)	(3,026,003)	
			Taxation Expense	209,052,301	195,270,336	
				-	-	
2.	Debt (Total Borrowings) / Revenue	45%	Total Debt	0.77%	4.39%	
			Total Operating Revenue	1,531,183	8,135,368	
			Operational Conditional Grants	245,161,836	225,726,576	
				46,292,156	40,220,691	
C. Sustainability						
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	Cash and Cash Equivalents	100.00%	100.00%	
			Bank Overdraft	35,430,721	10,702,493	
			Unspent Grants	18,298,647	7,254,599	
			Net Assets	29,782,064	3,857,622	
			Accumulated Surplus	683,188,775	822,624,448	
				683,188,776	822,624,448	

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2019	2018	
2. FINANCIAL PERFORMANCE						
A. Efficiency						
1. Net Operating Surplus Margin	= or > 0%			14.73%	-22.79%	
		Total Operating Revenue	245,161,836	225,726,576		
		Depreciation - Revalued Portion	-	-		
		Total Operating Expenditure	209,052,301	277,172,986		
		Taxation Expense	-	-		
2. Net Surplus / Deficit Electricity	0% - 15%			-24.16%	-14.97%	
		Total Electricity Revenue	82,329,564	83,531,991		
		Total Electricity Expenditure	102,218,899	96,038,061		
3. Net Surplus / Deficit Water	= or > 0%			1.02%	35.79%	
		Total Water Revenue	40,471,886	46,093,699		
		Total Water Expenditure	40,059,442	29,597,205		
4. Net Surplus / Deficit Refuse	= or > 0%			-29.65%	12.01%	
		Total Waste Management	32,986,928	27,388,183		
		Total Waste Management	42,766,145	24,099,747		
B. Distribution Losses						
1. Electricity Distribution Losses (Percentage)	7% - 10%			0.00%	19.62%	
		Number of Units Purchased and/or Generated	-	58,223,924		
		Number of Units Sold	-	46,800,334		
2. Water Distribution Losses (Percentage)	15% - 30%			30.08%	32.97%	The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repairs as soon as they
		Number of Kilolitres Purchased and/or Purified	2,481,703	2,160,715		
		Number of Kilolitres Sold	1,735,146	1,448,344		
C. Revenue Management						
1. Growth in Number of Active Consumer Accounts	None			-13.32%	-13.32%	
		Number of Active Debtors Accounts (Previous)	32,154	32,154		
		Number of Active Debtors Accounts (Current)	27,870	27,870		
2. Revenue Growth (%)	= CPI			8.61%	8.31%	
		CPI		8.61%	8.31%	
		Total Revenue (Previous)	225,726,576	208,402,845		
		Total Revenue (Current)	245,161,836	225,726,576		
3. Revenue Growth (%) - Excluding Capital Grants	= CPI			3.51%	8.24%	
		CPI		3.51%	8.24%	
		Total Revenue, excluding Capital Grants (Previous)	215,248,757	198,864,267		
		Total Revenue, excluding Capital Grants (Current)	222,803,115	215,248,757		
D. Expenditure Management						
1. Creditors Payment Period (Trade Creditors)	30 Days			220 Days	173 Days	
		Trade Creditors	69,226,417	49,511,800		
		Contracted Services	9,519,416	8,358,489		
		Repairs and Maintenance	12,489,090	12,224,938		
		General Expenses	30,097,051	24,950,763		
		Bulk Purchases	62,705,633	59,027,026		
		Capital Credit Purchases	-	-		
2. Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%			34.85%	31.18%	
		Irregular, Fruitless & Wasteful and Unauthorised Expenditure	72,864,013	86,428,124		
		Total Operating Expenditure	209,052,301	277,172,986		
		Taxation Expense	-	-		
3. Remuneration as % of Total Operating Expenditure	25% - 40%			38.06%	26.45%	
		Employee / Personnel Related Cost	74,072,709	68,489,476		
		Councillors Remuneration	5,502,117	4,835,161		
		Total Operating Expenditure	209,052,301	277,172,986		
		Taxation Expense	-	-		
4. Contracted Services % of Total Operating Expenditure	2% - 5%			4.55%	3.02%	
		Contracted Services	9,519,416	8,358,489		
		Total Operating Expenditure	209,052,301	277,172,986		
		Taxation Expense	-	-		

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2019	2018	
E. Grant Dependency						
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None		3.72%	51.45%	
			Internally Generated Funds	268,911	856,461	
			Borrowings	594,355	9,497,458	
			Total Capital Expenditure	23,221,987	20,125,465	
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		1.16%	4.26%	
			Internally Generated Funds	268,911	856,461	
			Total Capital Expenditure	23,221,987	20,125,465	
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None		79.22%	81.31%	
			Total Revenue	245,161,836	225,726,576	
			Government Grant and Subsidies	68,650,878	50,698,510	
			Public Contributions and Donations	-	-	
			Capital Grants	22,358,722	10,477,819	
3. BUDGET IMPLEMENTATION						
A. Efficiency						
1.	Capital Expenditure Budget Implementation Indicator	95% - 100%		43.74%	109.74%	A significant amount of grants was unspent at yearend due to the date of which it was received. The municipality does not budget for unspent grants.
			Actual Capital Expenditure	23,221,987	20,125,465	
			Budgeted Capital Expenditure	53,091,427	18,339,247	
2.	Operating Expenditure Budget Implementation Indicator	95% - 100%		85.52%	127.54%	The unfavourable ratio is due to non-cash items, such as depreciation and impairment losses being recognised, which was not fully budgeted for.
			Actual Operating Expenditure	209,052,301	277,172,986	
			Budgeted Operating Expenditure	244,435,674	217,318,184	
3.	Operating Revenue Budget Implementation Indicator	95% - 100%		88.23%	98.48%	
			Actual Operating Revenue	245,161,836	225,726,576	
			Budgeted Operating Revenue	277,881,974	229,203,454	
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		106.04%	105.00%	More revenue generated than budgeted for.
			Actual Service Charges and Property Rates Revenue	153,062,538	149,481,257	
			Budgeted Service Charges and Property Rates Revenue	144,344,406	142,358,563	
Interpretation of Results:						
	The green colour indicates that the result is within the norm and is acceptable.					
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.					
	Data should be captured in the blue coloured cell to calculate a ratio.					
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.					